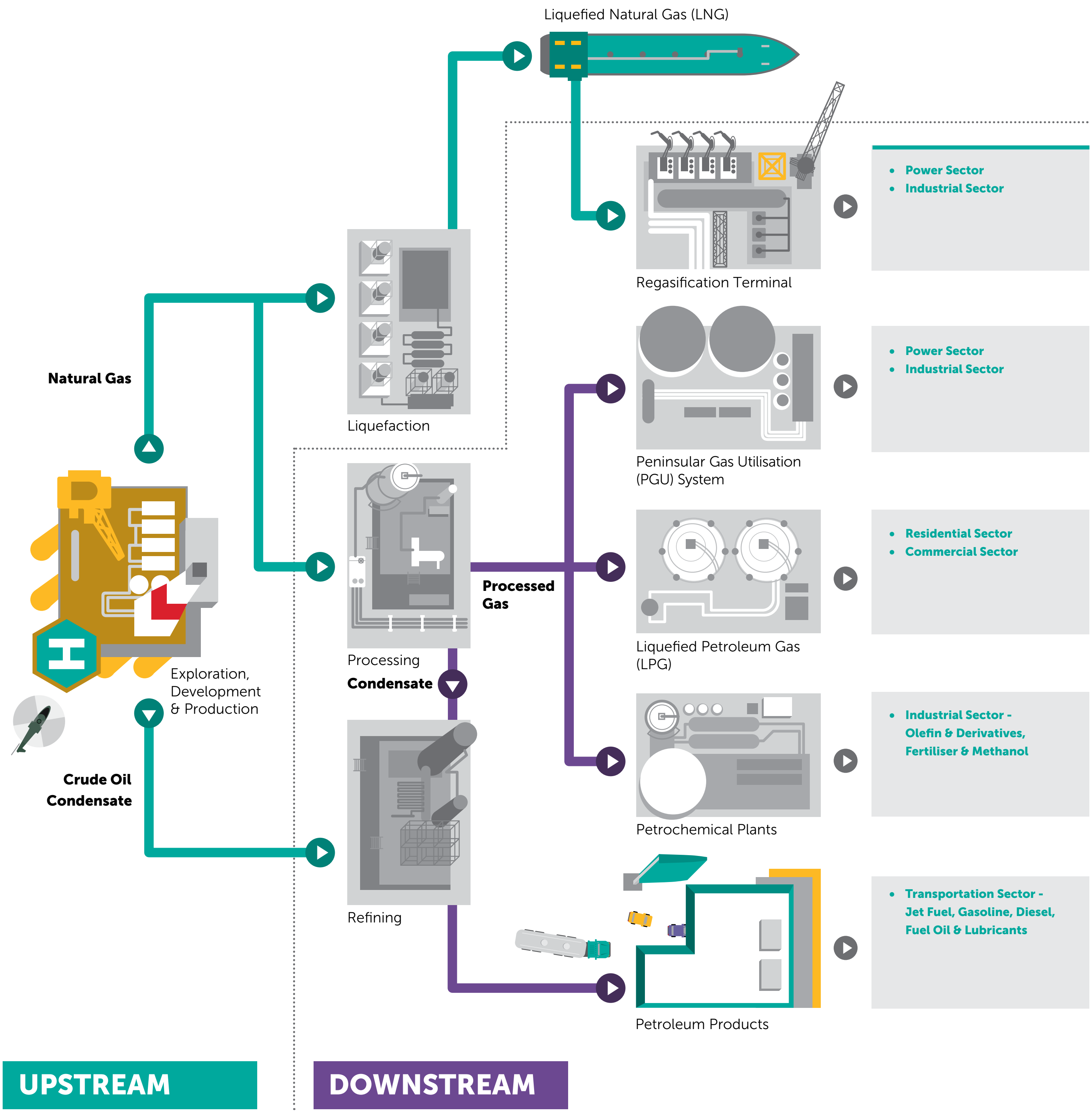
ANNUAL REPORT 2014
reimagining energy ™

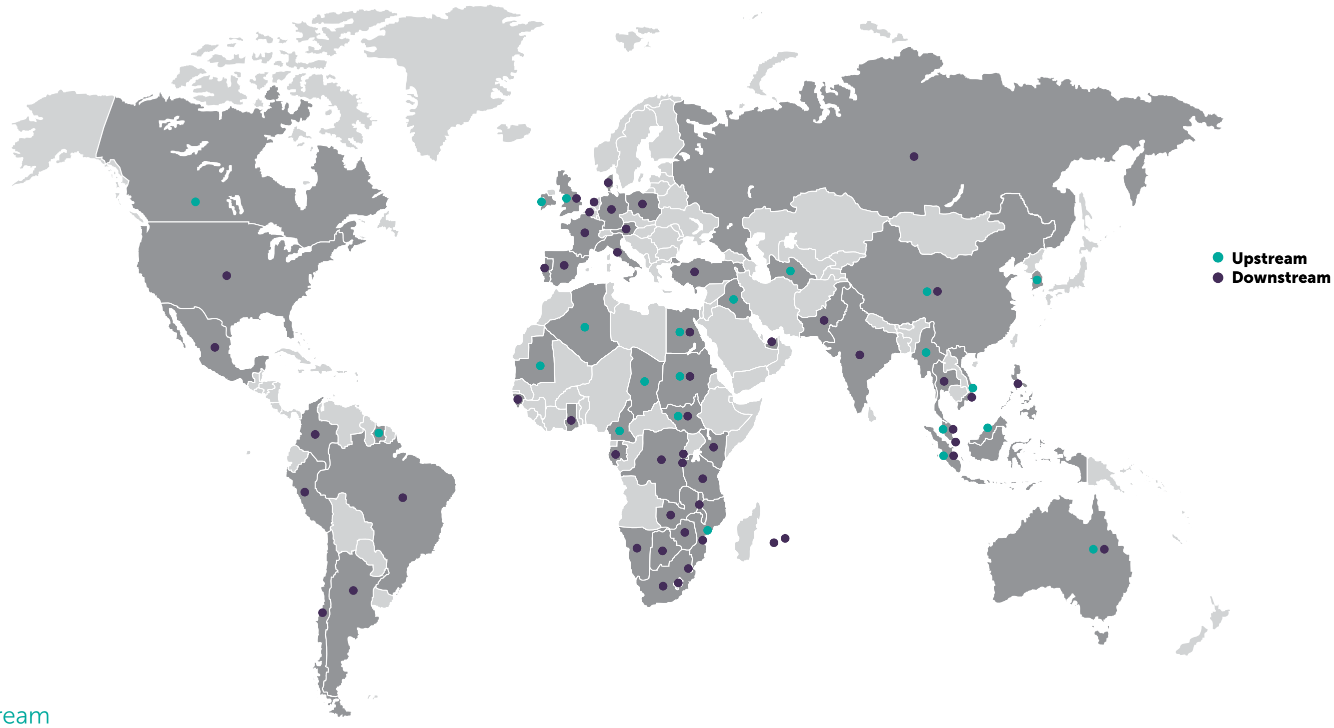
PETRONAS

THE WINNING FORMULA FOR THE
WORLD CHAMPIONS
2014

Our Business



Our Presence



Upstream

Africa	• Algeria – Development • Cameroon – Development • Egypt – Exploration, Development, Production & LNG • Mauritania – Exploration, Development & Production • Mozambique – Exploration • Republic of South Sudan – Exploration, Development & Production • Republic of Sudan – Exploration, Development & Production • Chad – Development & Production
Asia Pacific	• Australia – Exploration, Development, Production & LNG • Brunei – Exploration • China – Exploration & Development • Indonesia – Exploration, Development & Production • Malaysia – Exploration, Development, Production, LNG & Trading, Technology & Engineering Services • Malaysia-Thailand Joint Development Area – Development & Production, Technology & Engineering Services • Myanmar – Exploration, Development & Production • South Korea – Technology & Engineering Services • Vietnam – Exploration, Development & Production, Technology & Engineering Services
Central Asia	• Turkmenistan – Exploration, Development & Production, Technology & Engineering Services • Uzbekistan – Production, Technology & Engineering Services
Europe	• Ireland – Gas Storage • United Kingdom – Trading
Latin America	• Suriname – Exploration
Middle East	• Iraq – Development & Production, Technology & Engineering Services
North America	• Canada – Development, Production & LNG, Technology & Engineering Services

Downstream

Africa	• Botswana – Oil Business • Burundi – Oil Business • Democratic Republic of the Congo – Oil Business • Egypt – Lubricants • Gabon – Oil Business • Ghana – Oil Business • Guinea Bissau – Oil Business • Kenya – Oil Business • Lesotho – Oil Business • Malawi – Oil Business • Mauritius – Oil Business • Mozambique – Oil Business • Namibia – Oil Business • Réunion – Oil Business • Republic of South Sudan – Oil Business • Republic of Sudan – Lubricants & Oil Businesses • Rwanda – Oil Business • Swaziland – Oil Business • South Africa – Oil Businesses, Technology & Engineering Services • Tanzania – Oil Business • Zambia – Oil Business • Zimbabwe – Oil Business
Asia Pacific	• Australia – Lubricants • China – Lubricants & Petrochemical Businesses, Infrastructure • India – Lubricants & Petrochemical Businesses • Indonesia – Lubricants, Oil & Petrochemical Businesses • Malaysia – Base Oil, Lubricants, Oil & Petrochemical Businesses, Technology & Engineering Services • Pakistan – Lubricants • Philippines – Lubricants, Oil & Petrochemical Businesses • Singapore – Power, Infrastructure • Thailand – Lubricants, Oil & Petrochemical Businesses, Technology & Engineering Services • Vietnam – Lubricants, Oil & Petrochemical Businesses
Europe	• Austria – Lubricants • Belgium – Lubricants • Denmark – Lubricants • France – Lubricants • Germany – Lubricants • Italy – Lubricants • Netherlands – Lubricants • Poland – Lubricants • Portugal – Lubricants • Russia – Lubricants • Spain – Lubricants • Turkey – Lubricants • United Kingdom – Lubricants and Oil Business
Latin America	• Argentina – Lubricants • Brazil – Lubricants • Chile – Lubricants • Colombia – Lubricants • Peru – Lubricants
Middle East	• United Arab Emirates – Oil Business, Lubricants
North America	• Mexico – Lubricants • United States of America – Lubricants

**Includes Engen subsidiaries and marketing and trading offices.*

Table of Contents

Vision

TO BE A LEADING OIL AND GAS MULTINATIONAL OF CHOICE

Mission

We are a business entity

Petroleum is our core business

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

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

Shared Values

Loyalty

Loyal to the nation and corporation

Integrity

Honest and upright

Professionalism

Committed, innovative and proactive and always striving for excellence

Cohesiveness

United in purpose and fellowship

Company Profile

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

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

Upstream

PETRONAS' Upstream Business explores, develops, produces and monetises oil and gas resources both domestically and internationally. A fully-integrated business across the oil and gas value chain, the Upstream Business has a broad portfolio of resources and playtypes around the globe. Our capability and track record of successful onshore and offshore developments in oil and gas have earned us reputable operatorship in many ventures across the world.

As a resource owner and host authority in Malaysia, we are responsible for the effective management and sustainable development of the country's oil and gas resource base. Our successes in upstream efforts in Malaysia are realised through partnerships with oil and gas majors, through best-in-class production sharing contracts (PSCs) and innovative risk service contracts (RSCs).

Upstream Business comprises the two core segments of the Exploration & Production Business and the Global LNG Business.

Exploration & Production Business

Malaysia Petroleum Management (MPM), formerly known as the Petroleum Management Unit, is the resource owner and manager of the nation's domestic oil and gas assets. MPM is entrusted with the responsibility to ensure the optimal development of Malaysia's hydrocarbon resources and the vital security of energy supply for Malaysia.

The oil and gas operating arm of the Exploration & Production Business is managed by PETRONAS Carigali Sdn Bhd (PCSB), a hands-on operator with an established track record, working alongside global majors in Malaysia and internationally. PCSB operates in 23 countries through 63 ventures.

Global LNG Business

PETRONAS' Global LNG Business commands a significant market share of global liquefied natural gas (LNG) sales. Our PETRONAS LNG Complex in Bintulu, Sarawak and PETRONAS LNG Sdn Bhd are two key components in our stable as we continue to strengthen our market position and preserve our reputation as a preferred LNG supplier. The PETRONAS LNG Complex in Bintulu is the world's largest LNG production facility in a single location with capacity of 25.7 million tonnes per annum (mtpa).

As the world's second largest exporter of LNG, PETRONAS has reliably delivered over 8,400 LNG cargoes over 30 years, supplying to our long term buyers in Asia as well as meeting demand across the world.

Downstream

The Downstream Business plays a strategic role in enhancing the value of our petroleum resources, transforming it into high-quality, value-added products for domestic and international markets.

PETRONAS is involved in the full spectrum of downstream activities through our operations in refining; trading and marketing of crude oil and petroleum products; manufacturing and marketing of petrochemical products; gas processing and transportation; regasification; utilities marketing; power generation; as well as the provision of technical and engineering solutions for the PETRONAS Group. PETRONAS' Downstream Business is also involved in the development of the Pengerang Integrated Complex in Johor, which will be Malaysia's largest refinery and petrochemical development in a single complex.

Downstream Business includes the five key segments of Oil Business; Lubricants Business; Petrochemicals Business; Technology & Engineering; and Infrastructure & Utilities. With a vision to become a 'merit-based high performing business', Downstream Business is committed to delivering the details that matter to our customers, while ensuring that our operations are managed in a sustainable and safe manner.

Oil Business

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

REFINING

PETRONAS owns and operates three refineries in Malaysia.

PETRONAS Penapisan (Melaka) Sdn Bhd (PP(M) SB) and the Malaysian Refining Company (MRC) are both wholly-owned by PETRONAS and are located in Melaka. The third refinery, PETRONAS Penapisan (Terengganu) Sdn Bhd (PP(T)SB), also wholly-owned by PETRONAS, is located in Terengganu.

Both PP(M)SB and PP(T)SB refine PETRONAS' indigenous crude oil from offshore Terengganu and Sarawak into high-value petroleum products for domestic and export markets. The refineries have a capacity of 130,000 and 124,000 barrels of crude oil per day, respectively. With a nameplate capacity of 170,000 barrels of crude oil per day, MRC's core business is to refine sour crude oil mainly from the Middle East into high value petroleum products for domestic and export markets.

Internationally, PETRONAS owns the Engen Refinery (Enref) in Durban, South Africa through a majority shareholding in Engen Petroleum Ltd. South Africa's second largest refinery, Enref, represents a large part of Engen's commitment to help meet the fuel needs of the South African market. The refinery has a nominal capacity to refine 135,000 barrels of crude oil per day.

TRADING

PETRONAS Trading Corporation Sdn Bhd (PETCO) is PETRONAS' global marketing and trading arm for crude oil and petroleum products.

Also involved in trading of crude oil and petroleum products produced by affiliates and third parties, PETCO has trading operations in London, Jakarta and Dubai via its wholly-owned subsidiaries PETCO Trading UK Limited, PT PETRONAS Niaga Indonesia (PTPNI) and PETCO Trading DMCC, respectively. PETCO plays a critical role to sustain and strengthen existing markets, and to penetrate new markets for growth.

RETAIL

In Malaysia, PETRONAS Dagangan Berhad (PDB) is the principal domestic marketing arm of PETRONAS and Malaysia's leading retailer and marketer of downstream petroleum products. Internationally, PDB subsidiaries namely PETRONAS Energy Philippines Inc (PEPI) and Duta Inc; PETRONAS International Marketing (Thailand) Co Ltd (PIMTCL); and PETRONAS (Vietnam) Co Ltd (PVCL) manage the marketing and retailing activities for a wide range of petroleum products in the Philippines, Thailand and Vietnam, respectively.

PETRONAS Marketing Sudan Limited (PMSL) and PETRONAS Marketing Ventures Limited (PMVL) manage the petroleum production marketing and retailing in Sudan and South Sudan, respectively.

Committed to a growth agenda, PDB strives to continuously provide superior products and services in all of its four core businesses of Retail, Commercial, Liquefied Petroleum Gas (LPG) and Lubricants. Investments in Research and Development (R&D) ensure that PDB continues to offer a wide range of internationally-recognised, high-quality petroleum products including motor gasoline, aviation fuel, kerosene, diesel, fuel oil, bunker fuel, LPG cylinders and asphalt.

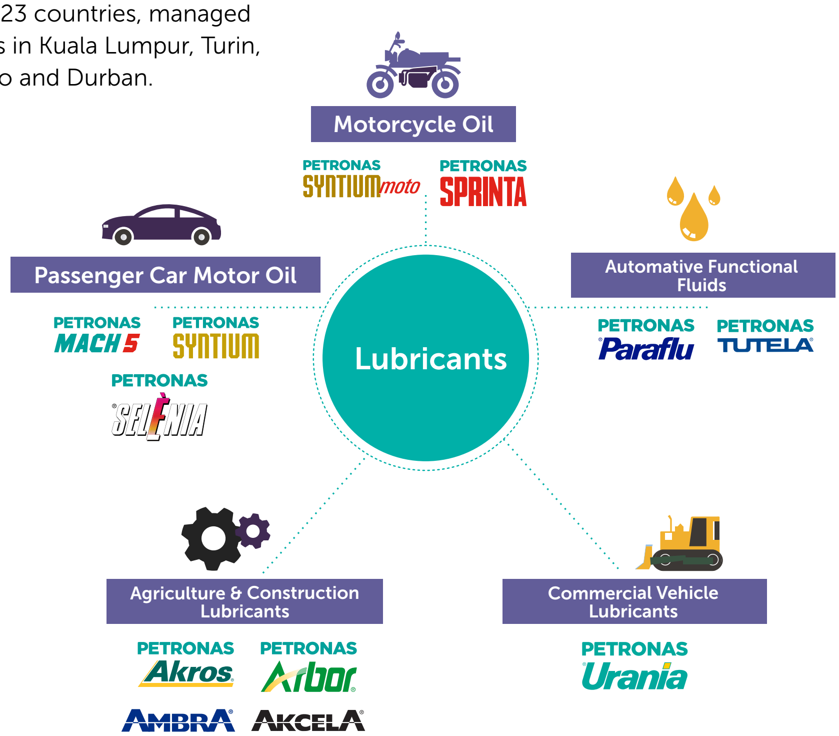
Engen Petroleum Ltd is our Africa-based energy company focusing on the downstream refined petroleum products market and related businesses. Engen's core functions are the refining of crude oil, the marketing of refined petroleum products and the provision of convenience services via an extensive retail network. With a presence in over 20 countries, Engen exports its products to over 30 more countries, mostly in Africa and the Indian Ocean Islands. The company also operates approximately 1,500 service stations across sub-Saharan Africa and Indian Ocean Islands, with convenience stores at approximately 600 Engen service stations.

Product Range

PETRONAS Fuel	Convenience Store (C-Store)	LPG
PETRONAS DYNAMIC DIESEL, NGV, PETRONAS PRIMAX 95, PETRONAS PRIMAX 97	Mesra	GAS PETRONAS

Lubricants Business

PETRONAS Lubricants International Sdn Bhd (PLISB) is the global lubricants manufacturing and marketing arm of PETRONAS. With a strong presence in more than 80 countries and five continents, the PLI product range includes high-quality lubricants and functional fluids for both the automotive and industrial markets, as well as a range of car care products. Flagship brands include PETRONAS Syntium for passenger vehicles, PETRONAS Sprinta for motorcycles, and PETRONAS Urania for commercial vehicles. Headquartered in Kuala Lumpur, PLI has over 30 marketing offices in 23 countries, managed through regional offices in Kuala Lumpur, Turin, Belo Horizonte, Chicago and Durban.



Base Oil

Group III
- Etro 4 & Etro 6

Group II
- M500

Petrochemicals Business

PETRONAS Chemicals Group Berhad (PCG) leads the growth of PETRONAS' Petrochemicals Business, an important segment of the petroleum industry which supports the manufacturing and fast-moving consumer goods (FMCG) sectors. The leading petrochemicals producer in Malaysia and one of the largest in South East Asia, PCG is involved primarily in the manufacturing, marketing and selling of a diverse range of petrochemical products including olefins, polymers, fertilisers, methanol and other basic chemicals and derivative products. Today, our integrated petrochemical complexes in Kertih, Terengganu and Gebeng, Pahang as well as our manufacturing complexes in Gurun, Kedah; Bintulu, Sarawak; and Labuan boasts a total production capacity of over 10 million metric tonnes per annum (mtpa).

1 Chemical Products

PCG comprises

25

companies producing a wide range of chemical products

2 Operating Business

2 major operating business segments:
- Olefins and Derivatives
- Fertilisers and Methanol

3 Petrochemical Complexes

2 integrated petrochemical complexes:
- Kertih, Terengganu
- Gebeng, Pahang

4 Manufacturing Complexes

3 manufacturing complexes that produce fertilisers and methanol:
- Gurun, Kedah
- Bintulu, Sarawak
- Federal Territory of Labuan

5 Production Capacity

10

million mtpa

6 Producer

4th

largest producer of methanol in the world

7 Sole Producer

of methanol, urea, paraxylene, methyl tertiary-butyl ether (MTBE), ethanolamines, ethoxylates, glycol ethers, butanol and butyl acetates in Malaysia

8 Joint-venture

partners include BASF, BP Chemicals, Idemitsu Kosan, Mitsubishi Corporation and Sasol Limited

9 Granular Urea

3rd

largest producer of granular urea and the fourth largest producer of urea in South East Asia

10 LDPE

3rd

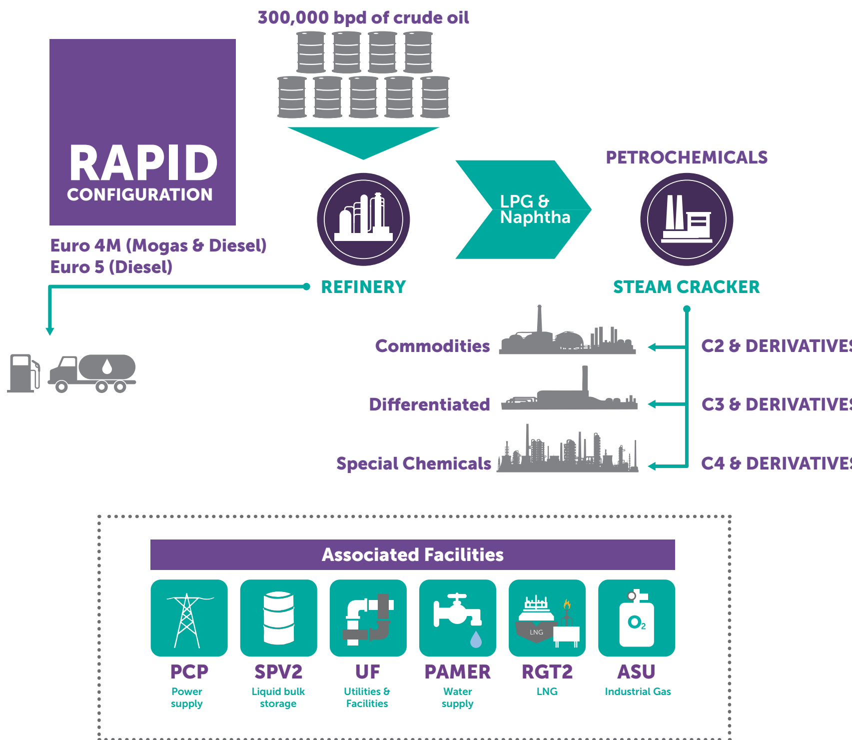
largest producer of low-density polyethylene (LDPE) in South East Asia

Pengerang Integrated Complex

The Pengerang Integrated Complex (PIC) is PETRONAS' largest investment in Malaysia to date. Developed within a 6,242-acre (2,526 hectares) site in Pengerang, PIC forms part of the Johor State Government's ambitious Pengerang Integrated Petroleum Complex (PIPC), which falls under Malaysia's Economic Transformation Programme (ETP) for establishing new engines of growth for the country.

The PIC is designed to meet future energy requirements and strengthen PETRONAS' position as a key player in the Asian chemicals market, focusing on differentiated and specialty chemicals. Achieving Final Investment Decision (FID) on 3 April 2014, the PIC is poised for its refinery start-up by early 2019. The PIC will comprise the Refinery and Petrochemical Integrated Development (RAPID) complex and its associated facilities including the Pengerang Cogeneration Plant (PCP), LNG Regasification Terminal 2 (RGT2), Air Separation Unit (ASU), Raw Water Supply Project (PAMER), Liquid Bulk Terminal (SPV2) and the Centralised and Shared Utilities and Facilities (UF).

Supported by Ancillary Facilities



Technology & Engineering

With a good blend of research and engineering expertise, we strive for the strategic development and application of technologies to provide competitive advantage to PETRONAS businesses. The Technology & Engineering Division (T&E) is a Centre of Excellence for the development and delivery of cutting-edge technologies and engineering solutions, delivery of capital projects and category management for equipment and materials.

The division provides services in project management, procurement services for category management, as well as technical services and solutions. It is custodian of technical standards and the PETRONAS Project Management System (PPMS), and oversees technical capability management Groupwide. T&E also develops and deploys innovative technologies for PETRONAS businesses, undertakes Intellectual Property (IP) management and actively pursues commercialisation of technology products. All these efforts push PETRONAS' boundaries in technology and engineering to add value to the group while attaining production and operation excellence.

Adding Value to Businesses

Value Creation

RM **3.0** billion

in value creation was achieved in 2014 from cost savings, yield improvement and cost avoidance

Category Management

RM **3.7** billion

in total procurement value through category management provided cost savings of up to RM264 million

Standard Solutions

9 in-house

standard engineering solutions were adopted Groupwide to enhance asset integrity, operational performance and safety

Infrastructure & Utilities

GAS INFRASTRUCTURE & UTILITIES

The Infrastructure & Utilities (I&U) Business focuses on ensuring the long-term security for gas supply in Malaysia as well as essential feedstock and utilities supply, including power, to our customers. I&U activities include the processing, transmission, regasification, marketing of utilities and power generation. Over the years, we have developed distinctive capabilities in our fully-integrated gas business and have built a strong reputation as a trusted partner and reliable supplier of gas in Malaysia and abroad.

Through our partly owned subsidiary PETRONAS Gas Berhad (PGB), PETRONAS owns and operates the Gas Processing Plants (GPP) and Peninsular Gas Utilisation (PGU) systems, delivering gas to power and non-power sectors in Peninsular Malaysia as well as the power industry in Singapore. PGB activities also include the extraction of feedstock such as ethane, propane, butane; and production of essential utilities such as power, steam and industrial gases for our customers. In this, PGB plays a critical role to supply feedstock and utilities to PETRONAS' petrochemical plants in Kertih, Terengganu and Gebeng, Pahang. Our venture into the LNG regasification business, notably Malaysia's first ever LNG regasification terminal (RGT) in Sungai Udang, Melaka, secures domestic gas supply and caters for future increases in gas demand.

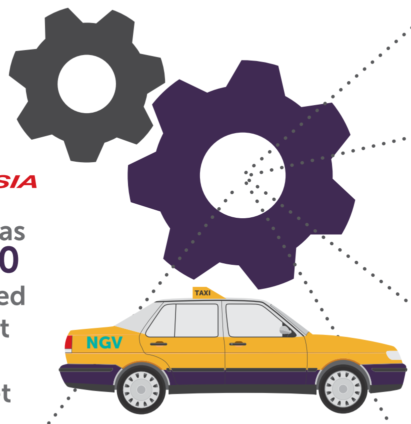
POWER BUSINESS & OTHER VENTURES

The I&U Business is also developing its portfolio in the Power Business through its involvement in selected operations in Malaysia and Singapore, namely a 70% stake in the Voltage Renewables Sdn Bhd solar farm in Gebeng, Pahang and a 30% stake in Pacific Light Power Pvt Ltd in Singapore.

PETRONAS' Pengerang Integrated Complex (PIC) also sees the involvement of the I&U Business in the delivery of the Pengerang Cogeneration Plant (PCP), the LNG Regasification Terminal 2 (RGT2) and the Air Separation Unit (ASU).

The I&U Business is also involved in the Trans-Thai Malaysia (TTM) joint venture companies responsible for the transportation and processing of gas from the Malaysia-Thailand Joint Development Area (MTJDA) plant located in Songkhla, Southern Thailand. It also operates the Bekalan Air KIPC (BAKIPC) water treatment facility located in Dungun, Terengganu. PETRONAS' 35% stake in the investment holding company Transasia Pipeline Pvt Ltd, Indonesia provides control over 40% equity in PT Transportasi Gas Indonesia (TGI). TGI owns and operates approximately 1,003 km of onshore and offshore gas pipelines namely Grissik-Duri (GD) and Grissik-Singapore (GS).

QUICK FACTS

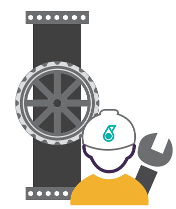


- PGB is recognised as one of the **Top 10 companies** listed on the Main Market of Bursa Malaysia, based on its market capitalisation of RM48 billion

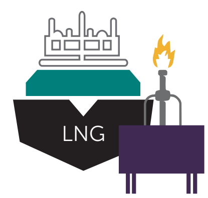
- PETRONAS promotes the use of gas fuel for a cleaner environment and is the sole operator of **Natural Gas for Vehicles** (NGV) service stations in Malaysia

- PGB is Malaysia's **leading gas infrastructure** and utilities company

- PGB is operating more than **2,500 km** of **gas transmission pipeline**, with a gas **processing capacity** of more than **2,000 mmscfd**



- PGB established Malaysia's **first ever LNG Regasification Terminal** which started operations in the second quarter of 2013



Board of Directors

Tan Sri Mohd Sidek Hassan
Chairman of the PETRONAS Board

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

Tan Sri Dr Mohd Irwan Siregar Abdullah
Non-Independent Non-Executive Director, Member of the PETRONAS Board Audit Committee

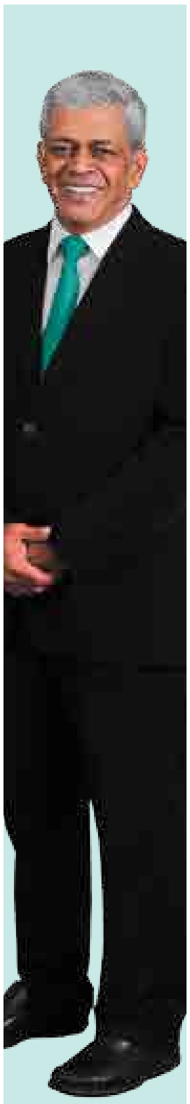
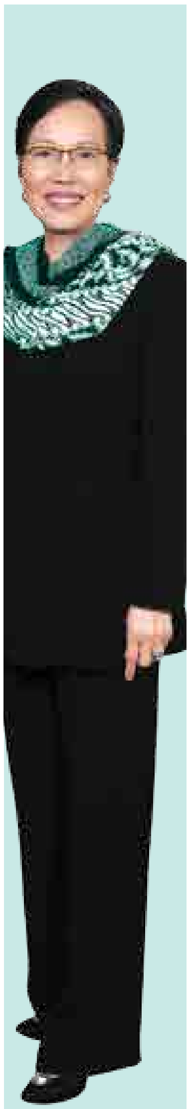
Datuk Muhammad Ibrahim
Non-Independent Non-Executive Director, Member of the PETRONAS Board Audit Committee and the PETRONAS Board Governance & Risk Committee

Tan Sri Amirsham A Aziz
Independent Non-Executive Director, Member of PETRONAS Board Governance & Risk Committee

Dato' Mohamad Idris Mansor
Independent Non-Executive Director, Member of PETRONAS Board Audit Committee and the PETRONAS Remuneration Committee

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

** As at December 2014*



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

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

Datuk Mohd Omar Mustapha
Independent Non-Executive Director, Member of the PETRONAS Remuneration Committee

Datuk Wan Zulkiflee Wan Ariffin
Executive Director & Chief Operating Officer

Dato' Wee Yiaw Hin
Executive Director

Abdul Rahman Musa @ Onn
Secretary

** As at December 2014*

Board of Directors

Tan Sri Mohd Sidek Hassan

Chairman of the PETRONAS Board

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

Tan Sri Dato' Seri Shamsul Azhar Abbas

President & Group Chief Executive Officer

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

Tan Sri Dr Mohd Irwan Serigar Abdullah

Non-Independent, Non-Executive Director

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

Datuk Muhammad Ibrahim

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

Datuk Muhammad Ibrahim was appointed to the PETRONAS Board in April 2010. He is Deputy Governor of Bank Negara Malaysia and sits on its Monetary Policy and Financial Stability Committees. His areas of expertise include financial markets, foreign exchange, banking and insurance. He also serves as Chairman of the Finance Accreditation Agency; Board member of the Retirement Fund Incorporated; member of the Malaysian Institute of Accountants; panel member of the National Trust Fund; Senate Chair of the International Centre for Education in Islamic Finance; was the Chairman of the Irving Fisher Committee on Central Bank Statistics, Bank for International Settlement; trustee of the Tun Ismail Ali Chair Council; and Fellow of the Institute of Bankers Malaysia.

* *As at December 2014*

Tan Sri Amirsham A Aziz

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

Tan Sri Amirsham A Aziz was appointed to the PETRONAS Board in October 2011. Prior to this, he joined the Maybank Group in 1977 where he held various senior positions. He served as President and Chief Executive Officer of Maybank for a period of 14 years from 1994 to 2008. He was appointed as Chairman of the National Economic Advisory Council in June 2009 and served as the Minister in the Prime Minister's Department in charge of the Economic Planning Unit and the Department of Statistics from 2008 until 2009. He served as Chairman and held Directorships in various leading public and private organisations. He was awarded the Asian Bankers Lifetime Achievement Award and inducted into the Global Hall of Fame by the International Association of Outsourcing Professionals. He currently sits as a Non-Executive Director on the Boards of international companies such as Samling Global Limited, Bermuda; StarChase Motorsports Limited, Hong Kong; CapitaLand Limited, Singapore and RAM Holdings Berhad.

Dato' Mohamad Idris Mansor

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

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

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

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

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

Krishnan CK Menon, FCA

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

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

** As at December 2014*

Board of Directors

Datin Yap Siew Bee

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

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

Datuk Mohd Omar Mustapha

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

Datuk Mohd Omar Mustapha was appointed to the PETRONAS Board in September 2009 and is the Chairman of the PETRONAS Leadership Centre (PLC). He is the Founder and Chairman of Ethos & Company, a leading Malaysian-based management consulting firm. He was nominated a 2008 Eisenhower Fellow, a 2009 Young Global Leader in the World Economic Forum in Davos and an Advisory Council member of the Institute for Democracy and Economic Affairs.

Datuk Wan Zulkiflee Wan Ariffin

Executive Director &
Chief Operating Officer

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

** As at December 2014*

Dato' Wee Yiaw Hin

Executive Director

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

Abdul Rahman Musa @ Onn

Secretary

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

** As at December 2014*

Executive Committee

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

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

Dato' Wee Yiaw Hin
Executive Vice President & Chief Executive Officer Upstream Business

Datuk Manharlal Ratilal
Executive Vice President & Group Chief Finance Officer

Md Arif Mahmood
Senior Vice President Corporate Strategy & Risk

Raiha Azni Abd Rahman
Senior Vice President Group Human Resource Management

Mohamad Rauff Nabi Bax
Senior Vice President & Group General Counsel

Dr Colin Wong Hee Huing
Senior Vice President Technology & Engineering

Datuk Mohd Anuar Taib
Senior Vice President Upstream Malaysia

Abdul Rahman Musa @ Onn
Secretary

* *As at December 2014*

Management Committee

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

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

Dato' Wee Yiaw Hin
Executive Vice President & Chief Executive Officer Upstream Business

Datuk Manharlal Ratilal
Executive Vice President & Group Chief Finance Officer

Md Arif Mahmood
Senior Vice President Corporate Strategy & Risk

Raiha Azni Abd Rahman
Senior Vice President Group Human Resource Management

Mohamad Rauff Nabi Bax
Senior Vice President & Group General Counsel

Dr Colin Wong Hee Huing
Senior Vice President Technology & Engineering

Datuk Mohd Anuar Taib
Senior Vice President Upstream Malaysia

Adif Zulkifli
Vice President Malaysia Petroleum Management

Datuk Nasarudin Md Idris
President/CEO MISC Berhad

Sharbini Suhaili
Vice President Upstream International

Mohd Rashid Mohd Yusof
Vice President Supply Chain Management

Norliza Kamaruddin
Senior General Manager Group Strategic Communications

Hazleena Hamzah
Secretary

** As at December 2014*

Vice Presidents

Datuk Ir Kamarudin Zakaria
Vice President
Group HSE & Operational Excellence

Adif Zulkifli
Vice President
Malaysia Petroleum Management

Ahmad Adly Alias
Vice President
LNG Trading & Marketing

Adnan Zainol Abidin
Vice President
Global LNG Projects

Datuk Abdullah Karim
Vice President &
Venture Director LNG Projects-Domestic

Emeliana Rice-Oxley
Vice President
Exploration Malaysia
Upstream Malaysia

Mohamad Johari Dasri
Vice President
Production Malaysia
Upstream Malaysia

Zakaria Kasah
Vice President &
Chief Executive Officer MLNG
Upstream Malaysia

Mazuin Ismail
Vice President
Technical Global
Upstream Malaysia

Sharbini Suhaili
Vice President
Upstream International

Effendy Cheng Abdullah
Vice President
Exploration International
Upstream International

Chen Kah Seong
Vice President
Production International
Upstream International

** As at December 2014*

James Leigh Stannard
Vice President
Unconventional
Upstream International

Mohd Farid Adnan
Vice President
Oil

Amir Hamzah Azizan
Vice President
Lubricants

Pramod Kumar Karunakaran
Vice President
Infrastructure & Utilities

Juniwati Rahmat Hussin
Vice President &
Venture Director
Pengerang Integrated Complex

Nuraini Ismail
Vice President
Treasury

Bhupinder Singh
Vice President
Tax

Mohd Rashid Mohd Yusof
Vice President
Supply Chain

** As at December 2014*

President & Group CEO

2014 was a good reminder of how dynamic and robust the oil and gas industry can be. The year began with crude priced at an average of USD107 per barrel, only to end at 40% lower in December.

TAN SRI DATO' SERI SHAMSUL AZHAR ABBAS
President & Group CEO

Against the contrasting two-halves of the year, the PETRONAS Group closed the Financial Year 2014 with Total Assets of RM537.5 billion, a 2% increase from RM528.7 billion in 2013. Revenue, recorded at RM329.1 billion, showed a 4% increase (RM11.8 billion) from last year's RM317.3 billion. This was driven by an increase in crude oil production, higher processed gas and LNG sales volume, as well as a stronger US Dollar. Consequently, Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) recorded a 2% increase (RM1.9 billion) to arrive at RM125.3 billion. The gloom of 2014 was reflected in Profit Before Tax which declined by 17.6% (RM16.6 billion) from RM94.3 billion in 2013 to RM77.7 billion in 2014. This can largely be attributed to lower revenue generated in the last quarter of the year and significant assets impairment losses recognised as a result of reduced crude oil price forecasts.

▲ 4%

PETRONAS Group recorded a 4% increase (RM11.8 billion) in Revenue from RM317.3 billion in 2013 to M329.1 billion in 2014.

Industry vagaries aside, PETRONAS had operated and performed remarkably well this year. The production enhancement initiatives implemented over the last few years continue to bring in good rewards. For 2014, total production increased by 5% against the same period in 2013, from 2,127 thousand barrels of oil equivalent per day to 2,226 thousand barrels of oil equivalent per day. Other than the enhancement initiatives, new oil and gas production from Malaysia, Iraq, Vietnam and Canada have also contributed to this increased production figure.

In Malaysia, both crude and gas production were higher, attributable to the new production streams coming from 13 fields located offshore Peninsular Malaysia, Sarawak and Sabah. This increase in gas production coupled with 100% Overall Equipment Effectiveness (OEE) at the PETRONAS LNG Complex in Bintulu, Sarawak led to a 4% increase in LNG sales volume which reached 25.77 million tonnes, with 423 big cargo equivalent of loadable volume. We outperformed our achievements in 2013 and recorded yet another highest-ever production of LNG in a single year. Our strengthened performance year-on-year seals PETRONAS' position as a leading and reliable global LNG supplier.

On the international front, we recorded new production from Iraq and Vietnam in 2014. Existing production from Blocks 3 and 7 in South Sudan contributed to our growth rate at around 13 thousand barrels of oil equivalent per day. The natural decline in our production in Egypt was negated by higher demand in Turkmenistan during the winter season, additional production from our acquired Talisman fields and better well performance in Canada.

In addition to the 13 greenfield first hydrocarbon from Malaysia, we also achieved the same at six of our international fields during the year. 2014 also witnessed the signing of six Production Sharing Contracts (PSC) in Malaysia and three PSCs internationally –one in Gabon and two in Myanmar. We were also successful in finalising four international farm-ins –two in Suriname, one in Angola and another in an unconventional field in China. In Argentina, we signed a deal to develop shale oil resources in the country, nicely complementing our existing gas unconventional ventures in Canada and Australia. 21 exploration discoveries were made in 2014, of which 18 were discoveries in Malaysia. These include two major finds offshore Sarawak with gas-in-place of more than 3.0 trillion standard cubic feet. This brings our Overall Resource Replenishment Ratio (ORRR) to stand at a healthy 3.1x while Reserve Replacement Ratio (RRR) is at 1.6x.

Similar strides and momentum were also achieved throughout our Downstream Business. Our refineries and petrochemical plants performed more efficiently in 2014, recording an OEE of 89.7% compared to 83.4% in 2013. One of the key highlights include the full operations of the Kimanis Power Plant in Sabah which began in November 2014. The three-block plant with a capacity of 285 MW utilises natural gas from offshore Sabah, and is a key initiative under the Malaysian Economic Transformation Plan (ETP). Electricity delivered from the Kimanis Power Plant to the grid provides reliability and security of power supply, a crucial step to attracting more investments in the state and spurring its economic growth.

We have also made significant strides where lubricants and engine oils are concerned. In our ongoing commitment to our heavy duty vehicle partner Iveco, we developed a 0w-20 commercial vehicle lubricant, which is also an industry-first. It was a spectacular victory when the Mercedes AMG PETRONAS F1 team bagged the 2014 Constructors' Championship, after dominating the season, by winning a record 16 of 19 races, with 11 one-two finishes. With years of extensive research and development, PETRONAS is proud to walk hand-in-hand with the Mercedes AMG team and have our lubricants recognised worldwide. Additionally, the same fuel technology used in Formula 1 is now also available to be experienced and enjoyed by all motorists for their day-to-day driving.

Against the backdrop of our performance for the year, PETRONAS contributed RM75.3 billion in total to the Federal and State Governments of Malaysia, in comparison with the RM73.4 billion contributed in 2013. This comprises RM29 billion in Dividends (RM27 billion in 2013), RM32.5 billion in Taxes (RM33.3 billion), RM12.6 billion in Cash Payments (RM12 billion) and RM1.2 billion of Export Duty (RM1.1 billion). This brings PETRONAS' total contribution to the Government since our inception to RM881.3 billion.

Encouragingly, revenue foregone as a result of regulated gas pricing mechanism also reflected a downward trend in the last couple of years due to the Government's subsidy rationalisation efforts post-RGT implementation, as well as the increase in regulated gas price during the year. Revenue foregone was recorded at RM22.9 billion for the year (RM24.9 billion in 2013), which brings total revenue foregone since 1997 to RM230.6 billion. We are encouraged by this trend and fully support the Government's efforts to rationalise Malaysia's energy subsidy programme.

In addition, PETRONAS continued to contribute RM2 billion to the National Trust Fund (NTF) in 2014, unchanged from our commitment in the last two years. This brings PETRONAS' cumulative contribution into the fund to RM10 billion. The

2014 Constructors' Championship

Mercedes AMG PETRONAS F1 team wins the 2014 Constructors' Championship.

With years of extensive research and development, PETRONAS is proud to walk hand-in-hand with the Mercedes AMG team and have our lubricants recognised worldwide. Additionally, the same fuel technology used in Formula 1 is now also available to be experienced and enjoyed by all motorists for their day-to-day driving.

fund was created in 1988 with the aim to ensure that revenue from dwindling natural resources, including but not limited to oil and gas, continuously generates wealth for the benefit of future generations. Since then, PETRONAS remains the sole contributing organisation to the NTF. This responsibility should not rest solely on PETRONAS. Therefore I urge all parties benefitting from all forms of natural resource exploitation - including State Governments - to contribute to the fund.

I also wish to highlight that in April 2014, we restructured our Exploration and Production Business to merge with the Gas and Power Business, housing them under one umbrella named Upstream Business. This consolidation ensures that Upstream Business carries full ownership and accountability not only in exploring, developing, and producing oil and gas resources (previously under Exploration and Production), but also in monetising them (earlier performed by Gas and Power). With this consolidation in effect, Upstream Business is intended to have uninterrupted end-to-end line of sight from resource development to monetisation, vesting it the full autonomy to deliver value and growth for the Upstream Business.

While Upstream Business now has a fully-integrated chain in a single business, Downstream Business remains pretty much intact and continues to play the role of a significant conglomerate, made up by multiple individual businesses, focused on adding value to the molecules on the bedrock of operational excellence. Infrastructure and Utilities –which include PETRONAS Gas Berhad and Power Business, both previously under Gas and Power –have now been combined with Downstream Business, as their operations are similar to other businesses within the Downstream Business division.

As a company, we strive to ensure that our projections remain robust, conservative and anchored on fundamentals at all times. It is based on this premise and our prudent capital management policies that we have a liquidity buffer and financial flexibility, therefore better cushioning the company from the sharp blow we received this year. I continue to be humbled and privileged to see how our staff persist in remaining steadfast, focused and undeterred amidst uncertainties. For that, as well as the personal sacrifices they have made for the company and the nation, I extend my sincerest appreciation and gratitude to them as well as their families.

By the time this report is published, I will no longer be the President and Group Chief Executive Officer of PETRONAS. Over the years, PETRONAS has made elaborate efforts to strengthen its leadership bench, and it is heartwarming to see that the succession plan we have put in place come to reality. Let me take this opportunity to commend the YAB Prime Minister for the wisdom of his choice and the trust he has placed in PETRONAS. My successor, Datuk Wan Zulkiflee Wan Ariffin, is no stranger to the industry and is certainly well-supported within the company.

After dedicating my entire career to PETRONAS for 40 years, I have served this tenure to the best of my abilities. Given all the trust and cooperation that was extended to me – and to PETRONAS – over the years, I hope I had exhausted all efforts to place the company and Malaysia on a more solid ground than when I inherited it.

TAN SRI DATO' SERI SHAMSUL AZHAR ABBAS
President and Group Chief Executive Officer

PETRONAS continued to contribute RM2 billion to the National Trust Fund (NTF) in 2014, unchanged from our commitment in the last two years. This brings PETRONAS' cumulative contribution into the fund to RM10 billion.

Statement of Corporate Governance

PETRONAS recognises the importance of instituting a culture of good corporate governance throughout the Group to protect and enhance shareholder value and to sustain the performance level of the Group over time. As part of our ongoing efforts towards realising our vision of becoming a leading oil and gas multinational of choice, we are fully-committed in maintaining the highest standards of transparency, accountability and integrity in all our business dealings.

In developing and implementing Groupwide policies, PETRONAS refers to and complies with all applicable laws and regulations. In addition, we regularly benchmark our policies and procedures against prevailing international standards as we believe it is essential for the organisation to adopt industry best practices in corporate governance given PETRONAS' strong global orientation and the growing expectations of stakeholders worldwide for good corporate citizenship.

PETRONAS Board Governance Framework

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

The Board oversees the Company's strategic planning, financial, operational and resource management, risk assessment and provides effective oversight of the executive management. In this regard, the Board also monitors the risks material to PETRONAS and ensures that internal systems of risk management and control are in place to mitigate such risks. Certain functions are delegated to Board Committees.

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

The Chairman is responsible to lead the Board and to provide leadership and guidance to the Board from the aspect of governance. His roles, amongst others, are to 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. Other Board members also have access to the Company Secretary for any further information they may require.

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

The President & Group CEO chairs the Executive Committee in managing the Company. The Executive Committee's role is to assist the President & Group CEO in his management of the business and affairs of the Company.

The Board

In accordance with the provisions of the Company's Articles of Association, the number of Directors shall not be less than two or more than fifteen.

As at 31 December 2014, the Board was made up of the Non-Independent Non-Executive Chairman, the President & Group CEO, two Executive Directors and eight Non-Executive Directors of which six were Independent Directors. A list of the current Directors, with their biographies, is provided on pages 14 to 19.

Board Charter

The Board is guided by the Board Charter which sets out the Board's strategic intent and provides guidelines on the Board's roles and responsibilities. The PETRONAS Board Charter specifies, amongst others, the authority, responsibilities, membership and operation of the Board of PETRONAS, a well-defined terms of reference as well as application of the current best practices and the applicable rules and regulations in Malaysia.

The PETRONAS Board Charter was adopted in 2013 and will be reviewed from time to time to ensure that it remains consistent with the Board's objectives and current laws and best practices.

Board Balance and Independence

The Malaysian Code of Corporate Governance (MCCG) emphasises board effectiveness through strengthening its composition and reinforcing its independence. In line with the spirit of the MCCG, the Company had established the selection criteria for the appointment and re-appointment of Directors, Independent Directors' guidelines and Independent Directors' review process.

The current Board composition consists of individuals who have diverse skills, knowledge, experience and expertise and is considered to be a well-balanced group and 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.

Board Meetings and Attendance

The Board met a total of 10 times (which include four Special Board Meetings) during the year. Among the matters deliberated during the Board meetings include the consideration of the PETRONAS Group Plans & Budget FY2015-2019 as well as Final Investment Decision for the Company's key projects such as the Refinery and Petrochemical Integrated Development Project (RAPID), PETRONAS Floating LNG 2 Project and BARDEGG-2 & Baronia EOR Development Project. Apart from that, the meeting also discussed on the monitoring of Management's Performance, reviewing the President & Group CEO's Performance Scorecards and the Company's Performance.

The Special Board Meetings which were convened during the year had deliberated on PETRONAS' long-term strategy and talent management.

The Non-Executive Directors regularly meet without the presence of the Executive Directors in order to discuss issues relevant to the Company.

Details of Directors attendance at Board Meetings during FY2014 are as follows:

Name of Directors	Board Meetings	
	Attendance	%
Tan Sri Mohd Sidek Hassan	10	100
Tan Sri Dato' Seri Shamsul Azhar Abbas	9	90
Tan Sri Dr Mohd Irwan Serigar Abdullah	7	70
Datuk Muhammad Ibrahim	9	90
Tan Sri Amirsham A Aziz	10	100
Dato' Mohamad Idris Mansor	8	80
Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas	10	100
Mr Krishnan CK Menon	9	90
Datin Yap Siew Bee	9	90
Datuk Mohd Omar Mustapha	8	80
Datuk Wan Zulkiflee Wan Ariffin	10	100
Dato' Wee Yiaw Hin	10	100
Datuk Manharlal Ratilal *(Resigned on 15 May 2014)*	4 out of 4 meetings	100
Datuk Anuar Ahmad *(Resigned on 16 April 2014)*	3 out of 3 meetings	100
Total Board Meetings held in FY2014	**10**	

Conflict of Interest

In ensuring transparency and integrity of decision-making as well as to prevent any conflict of interest, a declaration of interest by Directors is fixed as an agenda item of the Board Meeting. In this regard, the Directors acknowledge that they shall immediately disclose the nature and extent of their interest and abstain from participating in any discussion or voting on any proposal in which they have an interest. Such matters are recorded in the minutes of the Board Meeting.

Apart from the above, the Directors are required to declare their interests annually, in line with the requirements on the disclosure of Director's interest in the Company's Audited Financial Statement.

Re-election and Re-appointment

In accordance with Article 71(1) of the Company's Articles of Association, at least one-third of the Directors shall retire from office by rotation at each Annual General Meeting (AGM) but shall be eligible for re-election. This retirement by rotation shall only be applicable to Non-Executive Directors.

At the AGM for financial year ended 2014 (FY2014 AGM) which was held on 2 April 2015, two directors namely Tan Sri Amirsham A Aziz and Tan Sri Dr Mohd Irwan Serigar Abdullah had retired and were re-elected to the Board.

In addition, Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas and Dato' Mohamad Idris Mansor had also retired pursuant to Section 129 of the Companies Act, 1965 and were re-appointed at the FY2014 AGM to the Board accordingly. These Directors who are over 70 years of age shall hold office until the conclusion of the next AGM.

Board Committees

There are three Board Committees made up of Non-Executive Directors, namely the Audit Committee, the Governance & 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 reported by the Company whilst ensuring the integrity of the Company's assets.

The Board Audit Committee comprises entirely of Non-Executive Directors. The members of the Board Audit Committee are as shown on pages 14 to 19.

In FY2014, the Board Audit Committee convened nine times to deliberate on a total of 81 papers and the members' attendance at meetings during FY2014 are as follows:

Name of Directors	BAC Meetings	
	Attendance	%
Mr Krishnan CK Menon	9	100
Tan Sri Dr Mohd Irwan Serigar Abdullah	7	78
Datuk Muhammad Ibrahim	7	78
Dato' Mohamad Idris Mansor	8	89
Total BAC Meetings held in FY2014	**9**	

Governance & Risk Committee

The Board Governance & Risk Committee is responsible in assessing the performance of the Board, reviewing management succession planning as well as identifying, nominating and orientating new Directors. The Committee also reviews the policies, practices, principal risks and oversees the adequacy and effectiveness of the risk management system to monitor risks in the PETRONAS Group.

The Committee also continues to review and recommend to the Board the appropriate corporate governance policies and procedures in accordance with international governance and best practices.

The Committee has direct access to the Corporate Governance & International Compliance Unit, Group Legal, which promotes a structured, consistent and centrally-driven integrated approach to global governance and compliance for the PETRONAS Group.

The members of the Board Governance & Risk Committee are as shown on pages 14 to 19.

In FY2014, the Committee met a total of six times and had deliberated on PETRONAS Corporate Risk Profile, Revision of PETRONAS' Limits of Authority and the appointment of Senior Management.

The members' attendance at meetings during FY2014 are as follows:

Name of Directors	BGRC Meetings	
	Attendance	%
Tan Sri Dato' Seri Haji Megat Najmuddin Datuk Seri Dr Haji Megat Khas	6	100
Tan Sri Amirsham A Aziz	6	100
Datuk Muhammad Ibrahim	5	83
Mr Krishnan CK Menon	5	83
Total BGRC Meetings held in FY2014	**6**	

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 recommends to the Board the remuneration policy for the President & Group CEO, the Executive Directors and certain Top Management officials of the Company. The Committee also reviews the President & Group CEO's Performance Scorecard, and recommends the rating of the scorecard to the Board for its approval.

The members of the Remuneration Committee are as shown on pages 14 to 19.

The members' attendance at meetings during FY2014 are as follows:

Name of Directors	REMCO Meetings	
	Attendance	%
Datin Yap Siew Bee	4	100
Dato' Mohamad Idris Mansor	3	75
Datuk Mohd Omar Mustapha	4	100
Total REMCO Meetings held in FY2014	**4**	

Executive Committee

The Executive Committee ("EXCO") is established to assist the President & Group CEO in his management of PETRONAS particularly in relation to strategic business development, high-impact and high-value investments and cross-business issues of the Group.

The members of the EXCO Committee are as shown on page 20.

Annual General Meeting

The AGM was held on 2 April 2015 in accordance with the legal and regulatory requirements prescribed by the Companies Act, 1965.

Business Ethics & Compliance

Code of Conduct and Business Ethics

PETRONAS' commitment to good corporate governance is reflected in its Code of Conduct and Business Ethics ("CoBE") and is part of the Group's overall business strategy. This commitment applies to all employees and directors, and third-parties who represent or act for the Group.

The CoBE contains detailed policy statements on the standards of behaviour and ethical conduct expected of each employee and directors as well as third-parties working for or on behalf of PETRONAS. Benchmarked with international standards, the CoBE emphasises and advances the principles of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness that are critical to the success and well-being of the PETRONAS Group.

Since the launch of the CoBE on 1 April 2012, a series of trainer workshops have been conducted across the Group to develop trainers who are conversant with the letter and the spirit of the CoBE. The trainers are expected to train the employees in their respective businesses. The CoBE workshop has also been included as part of the on-boarding programme for new executives in the Company since 1 July 2013. As at 31 December 2014, 37,588 employees have undergone face-to-face training on the CoBE. Refresher trainings will also be conducted periodically to ensure ongoing compliance among all directors and employees. A compulsory online training programme is currently being developed to further reach out to more employees based locally and internationally.

Since the CoBE is intended to apply across the Group in all countries where we have operations, some provisions of the CoBE will be modified to adapt the CoBE to the requirements of the local jurisdictions. The CoBE will have separate Country Supplements for countries where PETRONAS has its operations to cater for local jurisdictions' applicable legislation and social mores. The CoBE is accompanied by a CoBE Guide that sets out the FAQs, together with a list of "Do's and Don'ts" in relation to certain specific situations.

The CoBE, the Country Supplements (where applicable) and the CoBE Guide have been distributed to all employees. The CoBE documents are also available on PETRONAS' corporate website at http://www.petronas.com.my/about-us/governance/Pages/governance/code-of-conduct-business-ethics.aspx.

Third Parties Working with the Company

Recognising the importance of instilling high ethical standards on parties that have business dealings with PETRONAS, we have also rolled out the CoBE to our contractors, sub-contractors and other parties performing work or services for entities within the PETRONAS Group. A provision for contractors to comply with the CoBE is now included in our contracts.

Training and sharing sessions on the CoBE have also been conducted with third-parties to ensure their commitment to the legal and ethical behaviour expected by PETRONAS in the CoBE. To this end, seven Vendor Integrity Programmes were conducted in FY2014 which were attended by 273 companies.

CoBE Helpdesk

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

Anti-Bribery and Corruption Compliance Programme

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

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

Training sessions are currently being conducted for employees Groupwide to equip them with sufficient knowledge and understanding on how the ABC Manual should be interpreted and applied across the Group. As at 31 December 2014, a total of 27,740 employees have undergone face-to-face training on the ABC Manual and 161 employees have been identified and trained as trainers to propagate the ABC Manual to all employees within their business and operating units. Four compliance training sessions on the ABC Manual and compliance have been conducted with the higher management of PETRONAS companies at the regional levels in Malaysia in 2014. In addition, three compliance engagement sessions were held with overseas subsidiaries and this effort will be continued in 2015.

The ABC Manual has been printed and distributed to all employees and directors of the PETRONAS Group and it is also available on PETRONAS' corporate website at http://www.petronas.com.my/about-us/governance/Pages/default.aspx.

Competition Law Compliance Programme

The CoBE prohibits actions and behaviour that fall within anti-competitive practices reflecting PETRONAS' commitment to conduct its business activities in adherence with the relevant competition legislation.

To date, there are more than 130 countries in the world with competition laws, including Malaysia. In response to increasing attention on competition law compliance in today's global environment and in accordance with international best practices, PETRONAS launched the PETRONAS Competition Law Guidelines (the "Guidelines") on 27 March 2012 to create better awareness and cultivate an effective competition law culture for the PETRONAS Group. The aim of the Guidelines is to ensure our employees have a practical understanding of competition law through the Guideline's user-friendly "Do's and Don'ts" and FAQs.

Following the launch of the Guidelines, continuous competition law compliance training programmes have been and are still being conducted to instill awareness in our employees on the principles of competition law. In Malaysia, training has started whereby employees from various sectors of the Company's business such as upstream, downstream, supply chain and risk management divisions are undergoing a series of training programmes conducted by qualified competition law trainers. Several consultations and engagement sessions were also initiated with the Malaysia Competition Commission ("MyCC") to gain a better understanding of the Competition Act and its implications on PETRONAS' business operations. Effective 1 January 2014, PETRONAS was granted an exclusion from the Competition Act for its upstream activities in Malaysia, consistent with the Petroleum Development Act, 1974.

The Guidelines have been printed into booklets for distribution to all employees and is also available on PETRONAS' corporate website at http://www.petronas.com.my/about-us/governance/Pages/default.aspx.

International Economic Sanctions and Export-Control Compliance Programme

Continuous compliance with international economic sanctions regime and export-control regulations has been one of the top priorities of PETRONAS in its compliance agenda.

For the purpose of compliance, PETRONAS is monitoring the development of the international economic sanctions and assessing any implications to its businesses. PETRONAS is also working closely with various governmental agencies responsible for matters related to international economic sanctions and export control. This relationship thus ensures that PETRONAS is kept abreast of issues related to international economic sanctions and export-control compliance.

Whistleblowing Policy and Procedure

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

Under the Policy, a whistleblower will be accorded with protection of confidentiality of identity, to the extent reasonably practicable. In addition, an employee who 'blows the whistle' internally will also be protected against any adverse and detrimental actions for disclosing any improper conduct committed or about to be committed within PETRONAS, to the extent reasonably practicable, provided that the disclosure is made in good faith. Such protection is accorded even if the investigation later reveals that the whistleblower is mistaken as to the facts and the rules and procedures involved.

The PETRONAS Whistleblowing Committee (Committee) was set up in tandem with the Policy roll out, to deliberate on the disclosure and decide on the next course of action as well as to monitor progress on the cases. The Committee meets at least once a month and provides updates to the Internal Audit Management Committee and the Board Audit Committee.

The Whistleblowing Policy is available on the Company's website at http://www.petronas.com.my/about-us/governance/Pages/governance/Whistleblowing-eForm.aspx. Buntings are also displayed at prominent areas in the PETRONAS Twin Towers, and at PETRONAS' business operation units to inform employees of the available whistleblowing channels. Appropriate actions have been taken on the reports received via the whistleblowing channels in accordance with the Whistleblowing procedures adopted by PETRONAS.

Personal Data Protection

With the coming into force of the Personal Data Protection Act 2010 (Act) on 15 November 2013, PETRONAS has commenced a Groupwide analysis and intervention plan to ensure compliance with the Act. Practical recommendations were provided to ensure full compliance with the Act and that the principles and rights enshrined in the Act are protected and upheld. Assurance has been sought from the relevant businesses and operating units within PETRONAS on their commitment to ensure conformity to the Act.

Three training-of-trainers sessions were conducted for key stakeholders to ensure better awareness and implementation of the Act. Following extensive research and benchmarking undertaken in FY2014, the Security & Privacy Policy in relation to the protection of personal data will be rolled out to the PETRONAS Group in FY2015.

Human Rights

A Human Rights task force, headed by the Group Health, Safety and Environment (GHSE), was established to review existing practices and propose enhancements to relevant policies and processes. A Social Performance Risk Assessment on Human Rights was conducted in 2014 and will be continued in 2015 strategically focussing on several identified high-risk groups in an effort to monitor and control potential compliance risks in their respective businesses.

Corporate Sustainability

The Corporate Sustainability Council (CSC) was established in March 2010 as a governance and deliberative body to spearhead, monitor and oversee the implementation of Sustainable Development strategies in PETRONAS. In a nutshell, PETRONAS views Sustainable Development as a business imperative that complements the Group's growth strategy by addressing economic, social and environmental concerns of its various stakeholders.

The Council meets every quarter and its members comprise PETRONAS' senior leadership from its various businesses. The Council and the Company's various sustainability initiatives are guided by the PETRONAS Corporate Sustainability Framework.

Supporting the Council is PETRONAS' Group Sustainable Development Department which facilitates all discussions and tracks the Company's progress in Sustainable Development, focussing primarily on Carbon and Water Management as well as Social Performance.

Detailed information of the Company's Sustainable Development evolution is available in PETRONAS' Sustainability Report accessible at http://www.petronas.com.my/sustainability/Pages/SRTimeline.aspx. Alternatively, please refer to pages 85 and 86 of this report for additional insights on PETRONAS' Sustainability Development highlights in the period under review.

Statement on Risk Management and Internal Control

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

Board's Responsibilities

The Board recognises the importance of having a sound system of risk management and internal control to safeguard shareholders' investment and the Group's assets. The Board also acknowledges that an adequate and effective Risk Management framework that addresses material matters on financial, operational and information technology and internal control practices are critical for informed decision-making and for providing a strong business foundation within the PETRONAS Group. In addition, the PETRONAS Board Charter recognises risk management and internal control oversight as one of the main functions of the Board. This is in line with the requirement for a public company to have in place a system of internal control as required under the Companies Act, 1965.

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

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

Risk Management

Having regard to managing risk as an integral part of the Group's activities, risk management and its ongoing improvement in strengthening the quantification, review and monitoring of all significant risk areas (including financial, health, safety and environment, operations, geopolitics, trading and logistics) remain a key focus of the Board in building a successful and sustainable business.

The Board Governance & Risk Committee (BGRC) has been established in PETRONAS to provide among others, oversight and in-depth discussion on risk management matters at the Board level. BGRC reviews policies, practices, principal risks and oversees the adequacy and effectiveness of the risk management system to monitor and manage risks in PETRONAS. A Risk Management Committee (RMC) is in place to serve as a central platform to assist the Management in identifying principal risks at the Group level and providing assurance on the effective implementation of risk management practices with guidance and direction from the PETRONAS Executive Committee and BGRC. The RMC also promotes sound risk management practices through the sharing of information and best practices to enhance the risk culture across the Group.

Group risks are managed on an integrated basis and their evaluation is incorporated into the Group's decision-making process such as strategic planning and project feasibility studies. Separate risk management units or functions also exist within the Group at various operating unit levels, particularly for its listed subsidiaries, to assess and evaluate the risk management processes for reporting to their respective Board and Management levels.

Internal Audit Function

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

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

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

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

Other Elements of Internal Control

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

Organisational Structure

The internal control of the Group is supported by a formal organisational structure with delineated lines of authority, responsibility and accountability.

Budget Approval

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

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

Limits of Authority

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

Procurement

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

Financial Control Framework

The Group has developed a Financial Control Framework (FCF) with the principal objective of enhancing the quality of the Group's financial reports through a structured process of ensuring the adequacy and effectiveness of key internal controls operating at various levels within the Group at all times. FCF requires among others, documentation of key controls, remediation of control gaps as well as a regular conduct of testing of control operating effectiveness. On a semi-annual basis, each key process owner at various management levels is required to complete and submit a Letter of Assurance which provides confirmation of compliance to key controls for the areas of the business for which they are accountable.

Corporate Financial Policy

The Corporate Financial Policy prescribes the Group's governing policies in effecting consistent practice of financial management, as well as forms the foundation upon which financial risk exposures are identified and strategies to manage such risks are developed.

Financial Risk Management Department (FRMD), as the Corporate Financial Risk function, performs the risk oversight and supervisory role for PETRONAS and PETRONAS Group's financial risk management. This provides assurance that financial risk management practices are implemented across the Group in accordance to the requirements of the Corporate Financial Policy, whilst enabling visibility on Group's key financial risk exposures for improved risk management. FRMD's risk oversight across the Group is achieved in collaboration with the risk management function of each individual subsidiary of the PETRONAS Group, through the provision of policy direction and specification of operational parameters, review and monitoring of key exposures, prescription of reporting requirements, prescription and application of consistent financial risk methodology as well as baseline financial risk management procedures and compliance practices. Significant matters concerning financial management and financial risk management are escalated to the Management and BGRC for direction and action.

Group Health, Safety & Environment (HSE) Policy

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

HSE assurance is carried out to provide independent assurance on the effectiveness of HSE controls and the assurance reports are presented to the BAC. Business Units (BU) and OPUs carry out HSE Assurances to ensure compliance with regulatory requirements and HSE procedures. Reports are presented to their respective Management Committees. Group HSE performance has been presented to the PETRONAS Board for oversight during the year.

Crisis Management Plan and Business Continuity Management

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

There is a three-tier response system in place which provides a clear demarcation of roles and responsibilities between emergency site management, OPU management, corporate and authorities. Drills and exercises are carried out at facility/asset level to ensure readiness in the event of an emergency or crisis. A Business Continuity Plan (BCP) is also in place to ensure business continuity in the event of a crisis or business disruption.

The above integrated crisis management and business continuity plans seek to enhance the Group's preparedness to respond and reduce the impact of crises as well as recover and restore the Group's critical functions within a reasonable period of time towards sustaining the Group's activities and minimising disruptions to stakeholders.

Information and Communication Technology (ICT)

PETRONAS is governed by the PETRONAS Information Security Policies and Baselines. This is also supplemented by the Enforce Information Security initiative to protect PETRONAS' digital information. ICT governance is led by the Chief Information Officer (CIO) Council that deliberates and decides on all matters related to strategy, investments, policies, programmes, project prioritisations and performance review of ICT.

Group ICT also has in place a Disaster Recovery Plan (DRP) for identified critical business applications. Scheduled drills and exercises are conducted annually to ensure readiness in the event of business continuity activation.

PETRONAS' Information Security processes are accredited by the International Organisation for Standardisation (ISO) 27001 – Information Security Management System Standard.

Employees

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

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

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

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

Conclusion

The Board has received assurance from the President & Group Chief Executive Officer and the Executive Vice President & Group Chief Finance Officer that the Group's financial records are properly maintained and that risk management and system of internal control is operating adequately and effectively in addressing the material risk within the Group in its current business environment.

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

This statement is made in accordance with the resolution of the Board of Directors dated 26 February 2015.

RM **329.1**

billion Revenue

Revenue improved by 4% driven by higher volume and favourable exchange rate movement.

4%

RM **47.6**

billion PAT

Profit After Tax decreased by 27% primarily due to higher assets impairments losses impacted by lower global oil price.

27%

RM **103.6**

billion Cash Flow from Operations

Cash Flow from Operations increased by 14% in line with higher revenue.

14%

Financial Results

"Cash flow from operating activities was higher by 14% at RM103.6 billion in 2014 due to increased production in upstream activities and sales of LNG."

Datuk Manharlal Ratilal

In 2014, the PETRONAS Group's performance was affected by the global drop in oil prices after the second quarter of the year. This led to lower profit before tax of RM78 billion, an 18% drop from last year, mainly due to impairments made to oil and gas assets in Quarter 4 to reflect expected lower cash generation from these assets due to bearish oil price scenario. Excluding the impairment adjustment, profit before tax would have reached RM100 billion, due to better Upstream production and LNG sales volume. EBITDA also improved and was recorded at RM125 billion in the year under review.

Cash flow remained strong with inflows from operations registering about RM104 billion. Dividends of RM41 billion were paid to both our shareholders - the Malaysian Government and the non-controlling shareholders, whilst capital expenditure amounted to RM65 billion. In 2014, we also acquired interest in Talisman Sasol Montney Partnership and Malaysian Refining Company Sdn Bhd which amounted in total RM6 billion. Overall, cash balance ended at RM136 billion.

During the year, the Group made preparations for the implementation of the Goods and Services Tax (GST) which takes effect 1 April 2015 in Malaysia. PETRONAS' GST Implementation Project commenced in January 2014. Change management for the GST implementation is expansive and encompasses the key elements of people, processes, technology and data. As a Group, PETRONAS is committed in ensuring GST-readiness and minimal business disruption on the 'go-live' date.

In FY2014, the Group recorded a 4% growth in revenue which was driven by higher production, higher LNG and sales gas volume and favourable US Dollar exchange rate movement. However, the Group's profit decreased by 27% primarily due to higher asset impairment losses in 2014.

Review of Financial Results

The Group recorded a 4% growth in revenue for the year ended 31 December 2014 at RM329.1 billion compared with RM317.3 billion in 2013 despite a decline in benchmark crude oil prices towards the end of 2014. The revenue growth was mainly driven by higher crude oil production volume, higher LNG and sales gas volume coupled with the effect of favourable US Dollar exchange rate movement against the Ringgit. The US Dollar strengthened against the Ringgit from an average of RM3.15 in 2013 to an average of RM3.27 in 2014.

Benchmark Dated Brent crude price dropped significantly to a low of USD55/bbl in December 2014 after hitting above USD115/bbl in June 2014. On average for the year, Dated Brent which is the PETRONAS Group's main crude oil benchmark price, averaged at USD99/bbl, a decrease of 9% from USD109/bbl in 2013. For LNG, average single month Japanese Crude Cocktail (JCC) price, which lags crude prices, averaged at USD109/bbl in 2014, a slight decrease from USD110/bbl over the same period last year.

Despite the reduction in benchmark crude oil prices, the revenue growth was supported by improved operational performance. The Group's total Upstream production and entitlements of crude oil and gas rose by 5% respectively, mainly contributed by enhancement efforts and new production stream from both international and domestic operations. On the international front, Iraq recorded a full year production from the Garraf and Majnoon fields while the Badra field started its first production in August 2014. Higher unconventional production from Canada and new production fields from Vietnam also contributed to the increase in international production levels. On the domestic front, higher crude oil production was mainly driven by sound reservoir management and production enhancement efforts in our existing fields, supported by new production stream which includes first hydrocarbon production from the Kebabangan gas field located offshore Sabah.

In addition, the LNG product segment recorded another robust year with a 4% increase in sales volume from 29 million MT in 2013 to 30 million MT in 2014. This was on the back of another record year of LNG production at 26 million MT from PETRONAS LNG Complex (PLC) in Bintulu, Sarawak, as well as increased trading volumes.

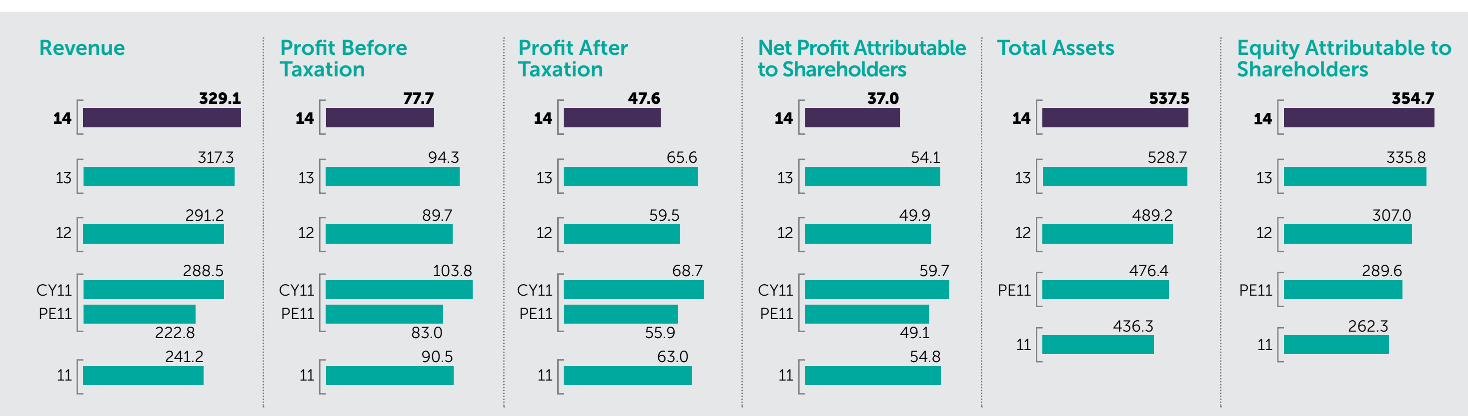
The Group's profit for the year however, stood at RM47.6 billion, a 27% decrease primarily due to significantly higher assets impairment losses of RM20.7 billion recognised as a result of reduced crude oil price forecasts. Similarly, net profit attributable to shareholders decreased by 32%. The Group's Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) for the year remained robust, an increase of 2% to RM125.3 billion compared with RM123.4 billion in 2013, in line with higher revenue.

PETRONAS' Key Financial Indicators
In RM Billion

	FY2014	+/- (%)	FY2013	FY2012	CY2011*	PE2011**	FY2011
Revenue	**329.1**	3.7%	317.3	291.2	288.5	222.8	241.2
EBITDA	**125.3**	1.5%	123.4	120.4	123.0	95.7	107.9
Profit Before Taxation	**77.7**	-17.6%	94.3	89.7	103.8	83.0	90.5
Profit After Taxation	**47.6**	-27.4%	65.6	59.5	68.7	55.9	63.0
Net Profit Attributable to Shareholders	**37.0**	-31.6%	54.1	49.9	59.7	49.1	54.8
Total Assets	**537.5**	1.7%	528.7	489.2	476.4	476.4	436.3
Equity Attributable to Shareholders	**354.7**	5.6%	335.8	307.0	289.6	289.6	262.3

Financial Ratios	**FY2014**	FY2013	FY2012	PE2011**	FY2011
Return on Revenue	**23.6%**	29.7%	30.8%	37.1%	37.5%
Return on Total Assets***	**14.5%**	17.8%	18.3%	23.0%	20.7%
Return on Average Capital Employed****	**11.6%**	17.0%	16.3%	21.3%	19.3%
Debt/Assets Ratio	**0.07x**	0.08x	0.08x	0.11x	0.11x
Gearing Ratio	**9.4%**	11.1%	11.7%	15.1%	15.4%
Dividend Payout Ratio	**78.4%**	49.9%	56.1%	61.3%	54.7%

* Calendar Year (CY) 2011 – unaudited twelve-month period from 1 January 2011 to 31 December 2011. Included for comparative purpose.
** Audited nine-month period from 1 April to 31 December 2011.
*** PE2011 was calculated based on annualised figures.
**** Return on Average Capital Employed is now calculated based on annualised profit after taxation divided by average total equity and long-term debt. Comparative figures have been restated to conform to the revised method.



Financial Position and Liquidity

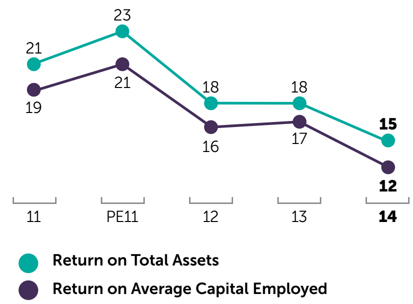
The Group's financial position and liquidity remained strong. Cash flow from operating activities was higher by 14% at RM103.6 billion in 2014. Property, Plant and Equipment increased by 7% reflecting continuous capital investments by the Group to sustain production in both our Upstream and Downstream operations, through investments in growth and asset integrity projects.

Capital investments spent in 2014 was RM64.6 billion, most of which were allocated for the Upstream segment to support exploration activities as well as to intensify efforts to develop new fields and enhance recovery from existing mature fields. 61% of the total capital investments were spent in Malaysia.

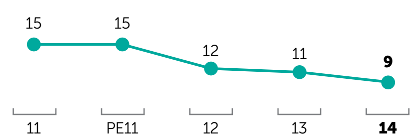
Cash, Fund and Other Investments stood at RM136.2 billion in 2014, lower than the previous year of RM140.9 billion, after netting off repayment on borrowings amounting to RM15.0 billion. Cash outflows for 2014 included acquisition of interest in Talisman Sasol Montney Partnership and acquisition of the remaining interest in Malaysian Refining Company Sdn Bhd.

The Group's Return on Average Capital Employed (ROACE) and Return on Total Assets (ROTA) for 2014 decreased to 12% and 15% respectively, in line with lower profits recorded during the year. Following net debt repayments during the year, gearing ratio fell to 9% as at 31 December 2014 compared with 11% as at 31 December 2013.

Key Profitability Ratios
In percentage (%)



Gearing Ratio
In percentage (%)



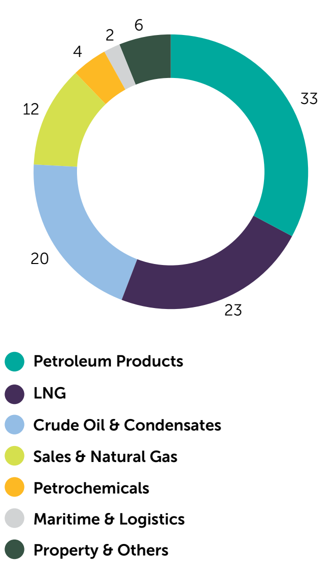
ROACE
12%

ROTA
15%

Gearing
9%

Revenue by Products

Revenue by Product
In percentage (%)



Petroleum Products

1% to **RM109.5 billion** as a result of lower realised prices as well as decrease in production volume as a result of refinery maintenance shutdown.

LNG

10% to **RM74.8 billion** on the back of record LNG production from PLC in Bintulu, Sarawak and higher LNG trading volume.

Crude Oil & Condensates

0.1% to **RM66.2 billion** mainly due to higher production volume arising from new and enhanced production.

Sales & Natural Gas

11% to **RM38.8 billion** resulting from higher Malaysia production and ramp up of activities in Canada.

Petrochemicals

6% to **RM14.4 billion** resulting from lower realised prices coupled with decrease in sales volume mainly due to higher level of statutory turnaround activities.

Note: % changes are in comparison to 2013

Revenue by Geographical Trade

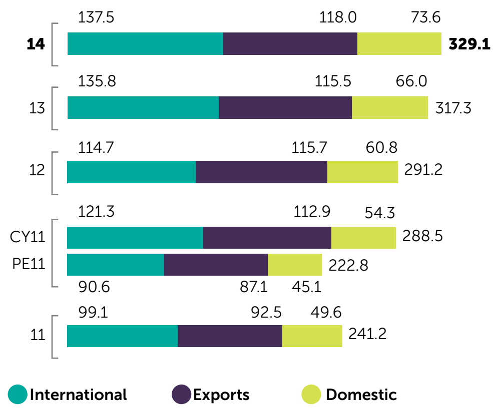
The Group recorded higher revenue in all of its geographical trade in 2014. Revenue from international operations made up the largest contribution to the Group's revenue, followed by exports and domestic operations.

Revenue from international operations marginally increased by 1% to RM137.5 billion in 2014. This translated to a 42% share of the Group's total revenue. The increase was mainly due to the full year production of the Garraf and Majnoon fields and first oil from the Badra field in Iraq. Other contributing factors were the increase in LNG trading activities as well as higher sales of natural gas following production ramp-up and the acquisition of assets from Canada. However, the increase in revenue from international operations was partly affected by lower crude trading activities and a severe drop in average realised crude oil prices, particularly in the fourth quarter of 2014.

Revenue generated from exports increased to RM118.0 billion in 2014 translating to a 36% share of the Group's total revenue for the year. The increase in revenue was mainly contributed by higher LNG sales on the back of improved PLC LNG production primarily due to its ability to maximise production during higher feedgas availability. In addition, higher sales were recorded for Malaysian crude oils mainly Dulang, Kidurong and Labuan crudes.

Domestic operations recorded the highest growth in revenue by 12% to RM73.6 billion and accounted for 22% of the Group's total revenue in 2014. This was primarily due to the increase in regulated sales gas price to the domestic power sector effective 1 January 2014. This price increase was coupled with higher sales gas volume owing to higher gas availability, from the Malaysia-Thailand Joint Development as well as from the LNG Regasification Terminal (RGT) in Melaka, which commenced operations in May 2013.

Revenue by Geographical Trade
In RM billion



Revenue by Geographical Segments

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

Malaysia
24%
Sale of petroleum products and sales gas

Japan
16%
Sale of LNG

China
7%
Sale of crude oil & condensates

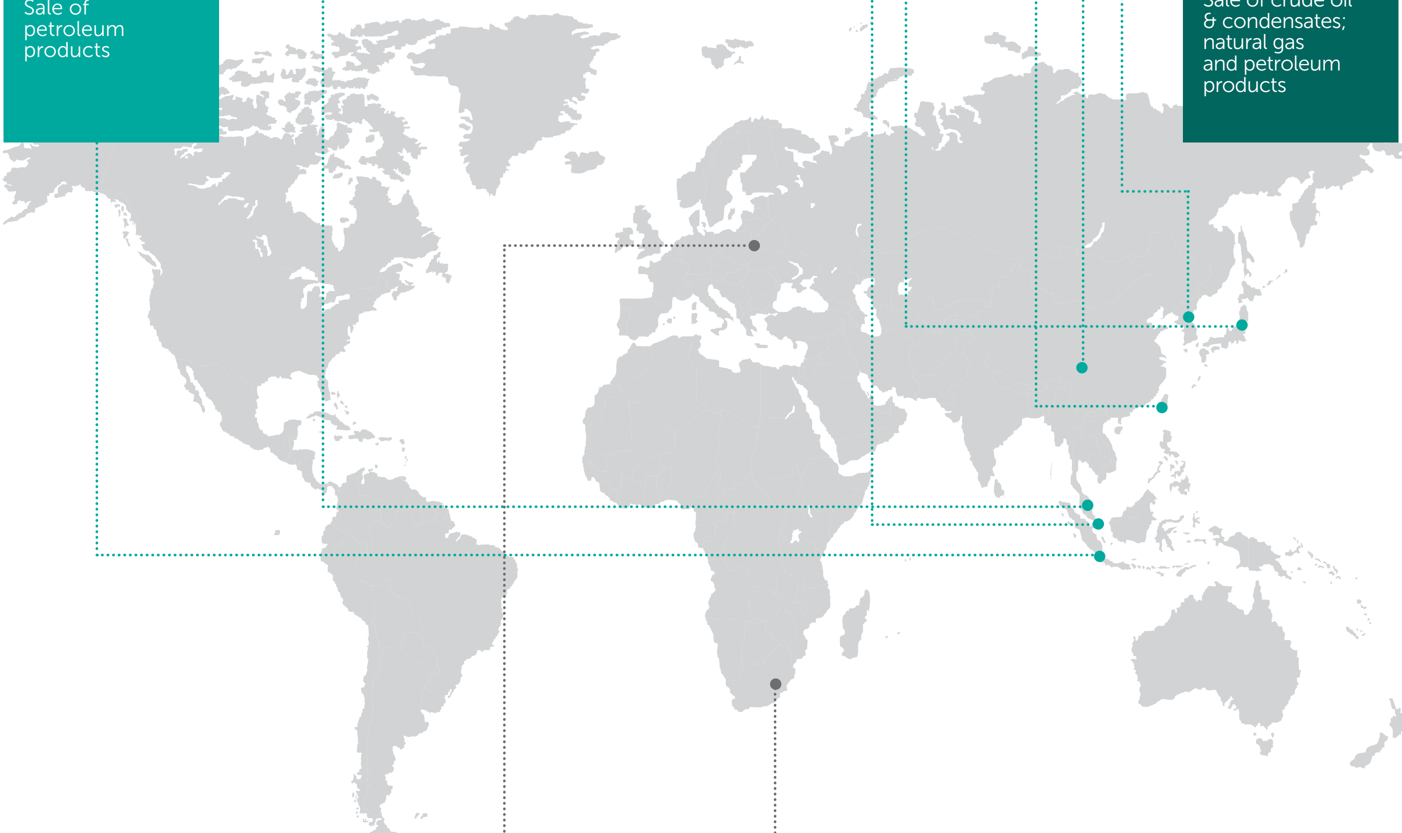
Singapore
6%
Sale of petroleum products and crude oil & condensates

Taiwan
4%
Sale of LNG

Korea
4%
Sale of LNG

Indonesia
4%
Sale of petroleum products

Rest of Asia
8%
Sale of crude oil & condensates; natural gas and petroleum products



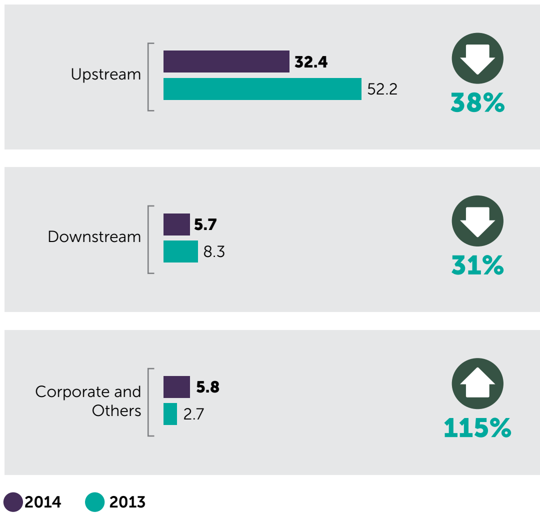
Europe
6%
Sale of sales gas

South Africa
9%
Sale of petroleum products

Rest of the World
12%
Sale of crude oil & condensates and petroleum products

Segment Earnings

PAT by Business Segment



With effect from the second quarter of 2014, the reportable operating segments now comprise Upstream, Downstream and Corporate & Others. The change in the reportable operating segments is in line with the change in the way the Group's businesses are managed. The Upstream Business comprises operations that were previously under Exploration & Production segment, as described in the Group's audited consolidated financial statements for the year ended 31 December 2013, together with certain operations from the former Gas & Power segment, namely purchase and liquefaction of natural gas, marketing and trading of LNG and sales gas. The Downstream segment's operations remain the same, as described in the Group's audited consolidated financial statements for the year ended 31 December 2013, with the addition of gas processing operations and power business, which were previously reported under the Gas & Power segment. The Corporate & Others segment comprises primarily the maritime & logistics segment, property segment and central treasury function. Accordingly, the Group has restated the operating segment information for the prior period.

During the year under review, the Upstream segment recorded Profit After Tax (PAT) of RM32.4 billion compared with RM52.2 billion in the previous year, a decrease of 38%. The significant decrease was mainly due to lower realised average crude prices in 2014, higher assets impairment as a result of reduced crude oil price forecasts and higher amortisation expenses. In contrast, revenue generated from the Upstream segment increased as compared to the previous year, mainly driven by higher entitlement volume in line with improved oil and gas production. In 2014, the Upstream segment delivered its first hydrocarbon from 19 greenfield projects, six of which were from international operations including the Badra field in Iraq and the Diamond field, offshore of Vietnam. Meanwhile, revenue from LNG sales for the year was higher as compared to the preceding year on the back of higher production from PLC in Bintulu, Sarawak and higher trading volume. The Upstream segment contributed 74% to the Group's gross PAT in 2014.

The Downstream segment recorded a lower PAT of RM5.7 billion compared with RM8.3 billion in the previous year. The 31% decrease was mainly due to the lower refining, petrochemical and petroleum product margins experienced as a result of downward price trends for the relevant products. For 2014, the Downstream segment contributed 13% to the Group's gross PAT.

The Corporate & Others segment recorded a twofold increase in PAT of RM5.8 billion compared with RM2.7 billion in the previous year. This increase was mainly due to higher income from property business and higher investment gains.

Segment CAPEX

The Group invested a total of RM64.6 billion on capital expenditure in 2014, an increase of 14% from the previous year.

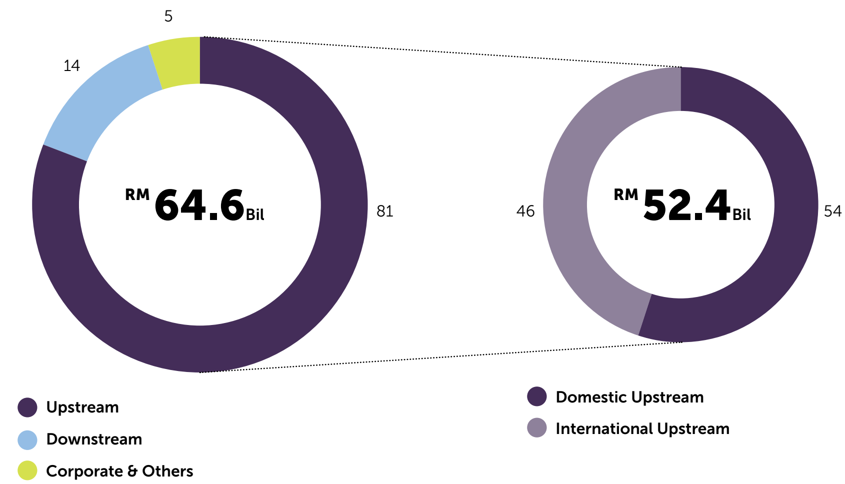
The Upstream segment accounted for 81% or RM52.4 billion of the total investments to sustain and grow production. RM28.2 billion or 54% were invested in Malaysia. Out of the invested total of RM52.4 billion, 74% was invested in exploration, development, production and unconventional energy projects; the remaining 26% was invested in LNG projects. Among the key projects in Malaysia are the Floating LNG Projects, LNG Train 9 project in Sarawak, the North Malay basin pipeline and facilities in Terengganu and Kebabangan integrated production hub - a component of the Sabah-Sarawak Oil & Gas Project. International capital investments which amounted to RM24.2 billion were invested in key countries including Canada, Australia, Iraq and Turkmenistan.

Capital investment in the Downstream segment increased by RM3.5 billion to RM8.7 billion in 2014 mainly attributable to the Refinery and Petrochemical Integrated Development (RAPID) project in Pengerang, Johor and the Sabah Ammonia Urea (SAMUR) project in Sipitang, Sabah. Both projects are important to strengthen the Group's position as a key Downstream player in Asia Pacific's petroleum and petrochemical markets.

Total capital investment in the Corporate & Others segment amounted to RM3.5 billion in 2014, with MISC taking up 48% of that amount. The bulk of MISC's capital investments were spent on offshore floating facilities and upgrading its yard facilities at Pasir Gudang, Johor.

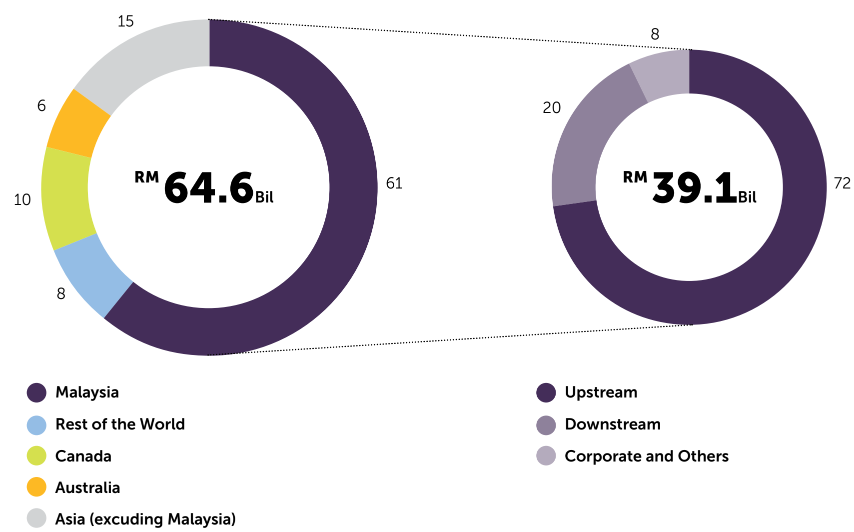
CAPEX Allocation 2014

In percentage (%)



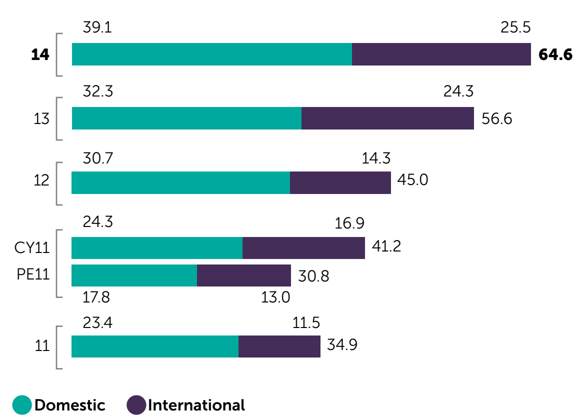
CAPEX by Geographical Segment 2014

In percentage (%)



Domestic and International CAPEX Breakdown

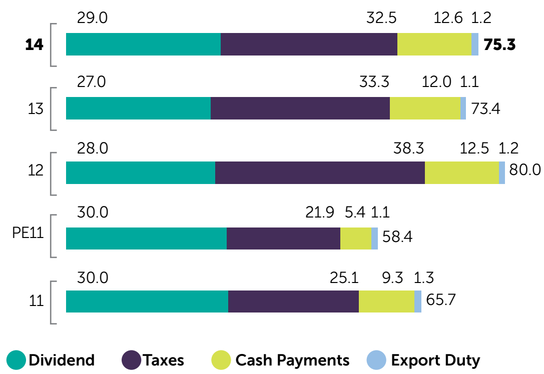
In RM billion



Contribution to Governments and Revenue Foregone

Components of Contribution to the Malaysian Government

In RM billion

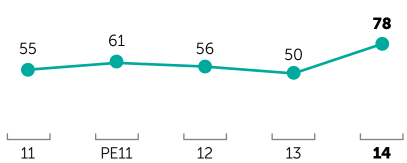


PETRONAS' contribution to the Federal and State Governments of Malaysia for the year ended 31 December 2014 amounted to RM75.3 billion, higher by RM1.9 billion as compared to 2013.

Dividends paid in 2014 of RM29.0 billion translated to a dividend payout ratio of 78%, higher by RM2.0 billion as compared with 2013. The RM29.0 billion includes dividends in relation to 2013 of RM27.0 billion and interim dividends in relation to 2014 of RM2.0 billion.

Dividend Payout Ratio

In percentage (%)



Revenue Foregone	FY2014	FY2013	+/-	Cumulative total since 1997
In RM billion				
POWER SECTOR	**12.4**	13.7	-9.5%	150.2
NON POWER SECTOR (including industrial, commercial, residential users and NGV)	**10.5**	11.2	-6.3%	80.4
Total	**22.9**	**24.9**	**-8.0%**	**230.6**

In 2014, revenue foregone as a result of regulated pricing mechanism imposed on the supply of gas to Peninsular Malaysia's power and non-power sectors was RM22.9 billion, an 8% decrease from the previous year as a result of the Government's subsidy rationalisation effort post-RGT implementation and an increase in the regulated sales gas prices during the year.

Since its inception, PETRONAS has contributed a total of RM881 billion to both Federal and State Governments and recorded revenue foregone amounting to RM230.6 billion since regulated gas prices came into effect in May 1997.

19
First hydrocarbon
Projects delivered.

1,658 **kboe/d**
Malaysian production of crude oil and natural gas increased by 2% to 1,658 kboe/d.

33.2 **bil boe**
Petroleum resource increased to 33.2 billion barrels of oil equivalent (boe).

Upstream

"Our commitment to highgrading and growing our portfolio for quality assets also remains unchanged. 2014 witnessed the Group's expansion in international markets with two key ventures signed in Azerbaijan and Argentina. These new ventures are part of our growth plan in the region and will form key cornerstone assets in the Group's strategies."

Dato' Wee Yiaw Hin

The year 2014 has been a watershed year for the Group.

Following the re-alignment of the Exploration & Production Business and Gas Business into Upstream, the Group continues to outperform. The year in review saw the Group growing its production of crude oil and natural gas to 2,226 kboe/d, a 5% increase from the previous year. The performance is impressive considering that our 2013 production showed a 6% increase from year 2012 while other majors recorded modest growth.

2014 also saw the Group recording its highest ever LNG cargo sales with 423 cargoes delivered, beating the previous record achieved in 2013. These record achievements were a direct result of the re-alignment of key businesses into Upstream. The integration under Upstream saw massive improvements in operational synergy which was achieved through wholesome planning of our gas supply delivery and execution maintenance at the PETRONAS LNG Complex (PLC) in Bintulu, Sarawak. For the year under review, PLC recorded an Overall Equipment Efficiency (OEE) of 100%.

The year also saw 19 projects achieving first production and 21 exploration discoveries in Malaysia and internationally. Our continued exploration success contributed 3.4 billion boe of resources to PETRONAS, a 4.9% increase from our 2013 performance.

Our strong portfolio remains robust with over 91 Final Investment Decisions (FID) and 32 Field Development Plans (FDP) approved, higher than those recorded in 2013. These will contribute to the sustaining of the Group's portfolio and growth in the long term.

The integrated LNG project in Canada through our wholly-owned Progress Energy Canada Limited (PECL) and the proposed Pacific Northwest LNG (PNW LNG) continues to make good progress in 2014. PETRONAS, along with its partners, will undertake a Final Investment Decision (FID) in 2015 for the proposed PNW LNG plant.

Our commitment to highgrading and growing our portfolio for quality assets also remains unchanged. 2014 witnessed the Group's expansion in international markets with two key ventures signed in Azerbaijan and Argentina. These new ventures are part of our growth plan in the region and will form key cornerstone assets in the Group's strategies.

HSE and Asset Integrity Management remains important to us as we pursue sustainable growth both in Malaysia and internationally.

Going forward, resilience and determination will play an important role for Upstream Business as we enter into a period of uncertainty. We believe that with our strong portfolio of assets, built on stringent investment philosophies, coupled with prudent management and the proven capabilities of our leadership talents, Upstream will continue to deliver its business targets and strategies in the years ahead.

Contents

PETRONAS Upstream Business covers the exploration and extraction of hydrocarbons in Malaysia and internationally. Gas production are also captured for liquefaction into LNG which are later marketed and delivered to LNG customers worldwide.

Malaysia Petroleum Management (MPM), formerly known as the Petroleum Management Unit, is the resource owner and manager of the nation's domestic oil and gas assets. MPM is entrusted with the responsibility to ensure the optimal development of Malaysia's hydrocarbon resources and the vital security of energy supply for Malaysia.

The oil and gas operating arm of the Exploration & Production Business is managed by its subsidiary PETRONAS Carigali Sdn Bhd, a hands-on operator with an established track record, working alongside global majors in Malaysia and internationally.

PETRONAS Global LNG Business commands a significant market share of global LNG sales. Our PETRONAS LNG Complex (PLC) in Bintulu, Sarawak and PETRONAS LNG Sdn Bhd are two key components in our stable as we continue to strengthen our market position and preserve our reputation as a preferred LNG supplier.

These main organisations make up the core of the Upstream Business in PETRONAS.

Development and Production

For 2014, PETRONAS' production of crude oil and natural gas amounted to 2,226 kboe/d, a 5% year-on-year increase from 2013. Consequently, with higher feedgas supply into the PLC, the PETRONAS' LNG production also increased to 26 metric tonne.

In Malaysia, production continues to attain encouraging growth in 2014, recording 1,658 kboe/d, a 2% increase when compared with 2013. This is the fifth consecutive year of growth for production in Malaysia. The higher production was attributed to our sound reservoir management in Malaysia which includes an intensified campaign of production enhancement and Improved Oil Recovery (IOR) activities at maturing fields in Malaysia.

The year saw 13 field development projects coming onstream in Malaysia. These include the Damar gas field in Peninsular Malaysia and Laila gas field offshore Sarawak. In Sabah, first hydrocarbon production from the Kebabangan gas field was achieved in November 2014. The Kebabangan integrated production hub consisting of gas, condensate and crude oil processing facilities is a component of the Sabah Sarawak Integrated Oil and Gas Project (SSIOGP), bringing development of hydrocarbon deposits in deepwater offshore Sabah to the onshore Sabah Oil and Gas Terminal (SOGT). Crude and oil production are later processed here with the gas piped into PLC in Sarawak for LNG production via the Sabah-Sarawak Gas Pipeline (SSGP).

2014 also saw projects with 120 mmboe of reserves sanctioned for further development. Three Enhanaced Oil Recovery (EOR) projects with approximately 38 mmboe of reserves achieved Final Investment Decision (FID). These include the Angsi Chemical Enhanced Oil Recovery (CEOR) project which will be the first full-field offshore CEOR in Malaysia. Two other sanctioned EOR projects –the Betty Redevelopment and West Lutong Phase 1 located offshore Sarawak –are part of EOR projects planned under the Baram EOR PSC signed in 2011.

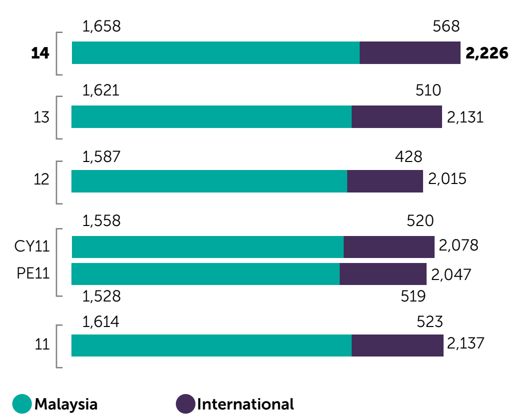
Following the re-alignment into Upstream, the improved operational synergies and system efficiencies have resulted in the PLC to record a 100% Overall Equipment Efficiency (OEE), despite multiple major maintenance activities undertaken by our facilities throughout the year. The re-alignment of major equipment shutdowns in PLC and the ability to maximise gas production availability in offshore Sarawak have resulted in higher LNG production than planned.

In 2014, international production was recorded at 571 kboe/d, a significant increase of 11.5% when compared with 2013. The improved performance was achieved due to the higher oil production by South Sudan and Iraq operations and also from the higher gas sales seen in Turkmenistan.

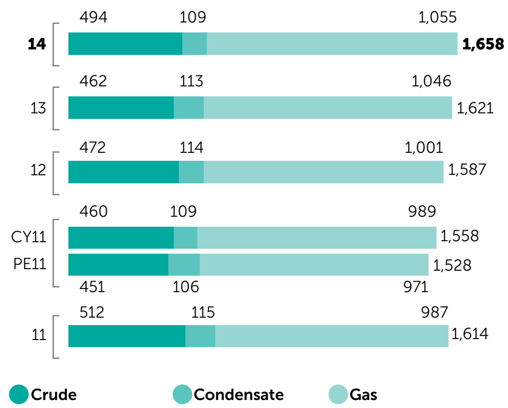
11 international development projects achieved first hydrocarbon for the year. These include the Badra field in Iraq and Diamond field offshore Vietnam, which is part of the PETRONAS Carigali Sdn Bhd-operated Block 1 and 2.

For development activities in 2014, PETRONAS recorded a total CAPEX expenditure of RM56.8 billion. RM28 billion of the total CAPEX was spent by Malaysia operations for activities including asset rejuvenation and capacity enhancement at PLC. In the same period, a total of 32 Field Development Plans (FDPs) were completed while 81 FIDs were taken by PETRONAS, as we continue to further sustain and grow the business in Malaysia and internationally.

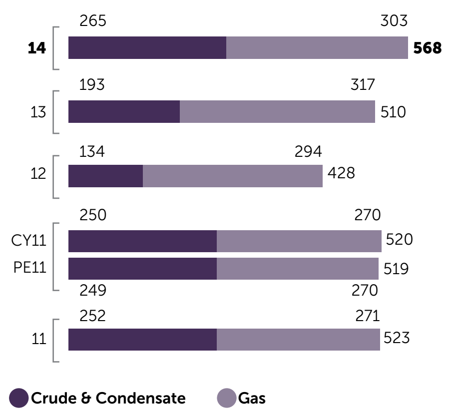
E&P Production
kboe/d



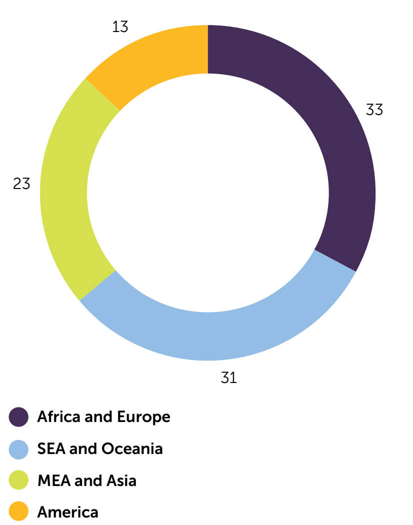
Malaysia Production
kboe/d



International Production
kboe/d



2014 International Production By region
In percentage (%)



Exploration

As at 1 January 2015, PETRONAS' total discovered petroleum resources stand at 33.2 billion boe, a slight increase of 1.2% from the previous year. The Group saw a total CAPEX of RM3 billion spent on exploration activities both in Malaysia and internationally.

For the year 2014, PETRONAS recorded a total of 21 new discoveries of which 18 are in Malaysia with reserves of 1.5 billion boe discovered. Our international operations recorded 1.8 billion boe of hydrocarbons, mainly contributed by our unconventional assets and also from discoveries in Turkmenistan and Sudan.

PETRONAS' total resource addition for 2014 amounted to an encouraging 3.4 billion boe, which brings the 3-year average Overall Resource Replenishment Ratio (oRRR) to a respectable 3.1 times and the Reserve Replacement Ratio (RRR) to 1.6 times. This impressive performance on RRR and oRRR will ensure the continued long-term sustainability of PETRONAS' Upstream Business.

Domestically, resource addition from exploration activities in 2014 surpassed the record-breaking resource addition for the same period seen in 2012. As at 31 December 2014, resource addition through exploration efforts yielded 1.5 billion boe of resources in Malaysia. Malaysia also recorded major gas discoveries for the year amounting to 8.1 tcf contributed by drilling successes in Pegaga 1, Bakong 1 and Marjoram 1. Oil discoveries from Limbayong 2 and Limbayong 3 further added to the total resources by 130 mmstb.

With the encouraging exploration drilling successes experienced in recent years and a further six exploration blocks awarded in 2014, Malaysia continues to be a prolific and attractive exploration and production destination.

Internationally, PETRONAS continues its exploration success with hydrocarbon discoveries in Turkmenistan and Sudan. 2014 also saw the Group venturing into deepwater pre-salt play in offshore Gabon with the award of acreage in Block F14. In Myanmar, PETRONAS continues to expand its presence and footprint after it was awarded with two onshore blocks in the country. The year also saw PETRONAS signing

Farm-in Agreements for exploration acreage PSCs in Angola, Suriname and China.

The Group's internationally discovered resources stood at 10 billion boe for 2014, recording a slight decline from the previous year. Our international three-year average oRRR is recorded at a respectable 6.9 times.

Unconventional Resources

In 2014, PETRONAS' overall production from unconventional operations in Canada and Australia reached 74.6 kboe/d (equity).

As at 31 December 2014, Progress Energy Canada Ltd (PECL) 2P reserves stood at 17.9 tscf, more than sufficient to deliver feedgas supply to the proposed Pacific North West LNG plant. The 2P + 2C resource currently stands at 42.4 tscf.

Our integrated Canada LNG project, encompassing the upstream North Montney Joint Venture and Pacific North West (PNW) LNG plant, continues to attract investors and remains Canada's fore-runner in proposed LNG projects. In the year under review, PETRONAS completed a 10% farm-out of the project to Indian Oil Corporation Ltd and a further 15% farm-out to a partnership between Sinopec and China Huadian Corporation in July 2014. The proposed PNW LNG project is expected to come onstream in 2019 with feedgas production of ~2 bscf/day. The plant will have a manufacturing capacity of 13 mtpa, bringing secure and long-term LNG supply to Asia.

In parallel, PETRONAS continues to ramp-up production for the commissioning of the Gladstone LNG Plant in Australia. The Gladstone LNG plant is on track to deliver its first commercial LNG cargo in Q1 of 2016.

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

		1.1.2015	+/-	1.1.2014
Crude Oil & Condensates	Reserves (2P)	4.2	-6.7%	4.5
	Contingent Resources (2C)	3.3	6.5%	3.1
Natural Gas	Reserves (2P)	8.1	3.8%	7.8
	Contingent Resources (2C)	12.1	-0.8%	12.2
Unconventional	Reserves (2P)	2.4	60.0%	1.5
	Contingent Resources (2C)	3.1	-16.2%	3.7
Total Discovered		**33.2**	**1.2%**	**32.8**
PETRONAS Group Entitlement		11.3	11.9%	10.1
ORRR (3 Years Rolling Average)		3.12x		3.09x

Malaysia Petroleum Resources
(Billion barrels of oil equivalent)

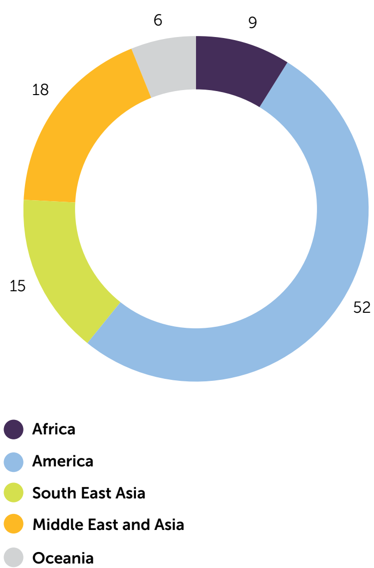
		1.1.2015	+/-	1.1.2014
Crude Oil & Condensates	Reserves (2P)	3.6	-5.3%	3.8
	Contingent Resources (2C)	2.4	20.0%	2.0
Natural Gas	Reserves (2P)	7.2	9.1%	6.6
	Contingent Resources (2C)	10.0	-2.0%	10.2
Total Discovered		**23.2**	**2.7%**	**22.6**
PETRONAS Group Entitlement		7.9	5.3%	7.5
ORRR (3 Years Rolling Average)		2.07x		1.94x

International Petroleum Resources (with MTJDA)
(Billion barrels of oil equivalent)

		1.1.2015	+/-	1.1.2014
Crude Oil & Condensates	Reserves (2P)	0.6	-14.3%	0.7
	Contingent Resources (2C)	0.9	-18.2%	1.1
Natural Gas	Reserves (2P)	0.9	-25.0%	1.2
	Contingent Resources (2C)	2.1	5.0%	2.0
Unconventional	Reserves (2P)	2.4	60.0%	1.5
	Contingent Resources (2C)	3.1	-16.2%	3.7
Total Discovered		**10.0**	**-2.0%**	**10.2**
PETRONAS Group Entitlement		3.4	30.8%	2.6
ORRR (3 Years Rolling Average)		6.91x		7.15x

The year also saw the Group expand its Unconventional assets portfolio with entries into Argentina and China. In Argentina, PETRONAS will invest in drilling in the La Amarga Chica PSC, a 46,000 acre area at the world's fourth largest shale oil deposit in Patagonia's Vaca Muerta. In China, PETRONAS signed a Farm-in Agreement for the Malang PSC in March 2014. The Malang PSC carries the rights to explore shale oil resources in a 200,000-acre area in the Xinjiang region.

Breakdown of International Resources by Region
In percentage (%)



Global LNG

During the year under review, the Group's total LNG sales of 30.1 million tonnes was higher by 4.4% compared with the 28.9 million tonnes recorded in the previous year. This was driven by higher feedgas production, better PLC plant uptime availability and an increase in trading volumes.

PLC volume was higher at 26 million tonnes, mainly attributed to its ability to maximise production during higher feedgas availability. In addition, PETRONAS LNG Limited (PLL) traded 4.27 million tonnes in volume, 42% higher than last year's traded volume.

Work on the Train 9 and floating LNG (FLNG) projects –key projects under the Group's future growth plans –are progressing well. The Train 9 project is targeted to reach Ready For Start Up (RFSU) at the end of 2015 whilst FLNG 1 and FLNG 2 are set to be operational by Q1 of 2016 and Q1 of 2018 respectively. Once onstream, these projects will add an additional 6.3 million tonne capacity to the Group's LNG production in Malaysia.

Outlook

For the year under review, Brent crude oil price fell sharply from a peak of ~USD115/bbl in June to a low of ~USD60/bbl in December. The sharp plunge in oil prices sent shock waves throughout the industry, forcing a re-think of growth plans and strategies in oil companies. Some have taken drastic operational measures to maintain profitability and continue giving returns to stakeholders.

PETRONAS' bearish outlook for 2014 still remains relevant as we foresee that the low oil price environment will persist in the next few years while the industry struggles to find parity for the mismatch in supply and demand. High oil prices in recent years have caused an artificial elevation in the cost of services and resources in the oil and gas industry. These high costs have continued to remain sticky despite declining oil prices since June 2014. The current low oil price environment coupled with the slower activities by exploration and production companies in the next few years is expected to trigger a consolidation of resources and services that will lead to lower costs, which the Group hopes to capture.

Despite the bearish global outlook, the Group's execution and delivery of its business strategies is expected to remain intact. PETRONAS has re-assessed our development projects and are re-focusing our efforts to drive prudent cost management in this climate of low oil prices. We believe that oil prices is expected to recover in the medium-to-long term and our development project, if timed correctly, will capture these oil price upsides when they are completed.

PETRONAS remains committed to our upcoming integrated LNG project in Canada which is scheduled to achieve FID in 2015. Despite the bearish outlook, we are keen to expand our portfolio and will be on the lookout for quality assets and other opportunities.

We remain committed to HSE excellence, building on our strong culture of safety and ownership at all levels across the organisation.

In summary, the outlook is challenging and PETRONAS will remain resilient with its robust strategy and effective risk management to sustain profitability for continued returns to its stakeholders.

PIC FID

Achieved Final Investment Decision in April 2014, for the Pengerang Integrated Complex, PETRONAS' largest ever Downstream investment valued at USD27 billion.

MERCEDES AMG PETRONAS F1

team Constructors' Championship

The MERCEDES AMG F1 PETRONAS team clinched the Constructors' Championship for the 2014 Formula One season, aided by PETRONAS' expertise in Fluid Technology Solutions™.

MRC Acquisition

PETRONAS acquired Phillips 66's remaining 47% stake in Malaysian Refining Company Sdn Bhd, making it a fully-owned PETRONAS subsidiary.

Downstream

"Downstream margins were impacted by the downward trend in the price of marketed and traded crude oil, as well as the decline in petroleum and petrochemical product prices. During the year, Downstream generated a revenue of RM157.5 billion, RM6.6 billion lower than the revenue achieved in the previous year."

Datuk Wan Zulkiflee Wan Ariffin

Financial Year 2014 was a challenging period for PETRONAS' Downstream Business, as we continued our efforts to add value to PETRONAS' petroleum resources, amidst a volatile market and tough competition from other players.

The Downstream Business was not spared from the effects of declining crude oil prices experienced industry-wide. Downstream margins were impacted by the downward trend in the price of marketed and traded crude oil, as well as the decline in petroleum and petrochemical product prices. During the year, Downstream generated a revenue of RM157.5 billion, RM6.6 billion lower than the revenue achieved in the previous year. Similarly, Downstream's Profit After Tax (PAT) contribution to PETRONAS also declined by RM2.6 billion to RM5.7 billion as compared to the previous year, mainly due to lower margins from refining and sales of petroleum and petrochemical products.

In response to challenging market realities, PETRONAS' Downstream Business embarked on a concerted effort to trim operating costs, while strengthening the management of capital expenditure. Initiatives were rolled-out to improve operational efficiency in plants, protecting our cost generating assets; and to ensure focussed execution of our projects, achieving minimal cost-overruns and timely project completion.

Parallel to this, we also focussed on raising the Overall Equipment Effectiveness (OEE) of our plants, as well as improvements in reliability, availability and utilisation to ensure the monetisation of every molecule that passes through our system. In this, we have achieved a 6.4% year-on-year increase in reliability, from 83.3% in FY2013 to 89.7% in FY2014. Utilisation on the other hand, has seen a slight decrease of 1.5%, from 76.8% in FY2013 to 75.3% in 2014.

It is anticipated that the industry will continue to face major challenges in the coming years, stemming from market and economic volatility and geopolitical uncertainties. Nevertheless, aided by a positive mindset, patience and perseverance, I am confident that PETRONAS will continue to weather the storm and achieve commendable results.

I would like to take this opportunity to put on record my sincere appreciation to all our staff and partners for their contribution towards realising our vision of becoming a merit-based high-performing business.

Contents

Financial Year 2014 saw the further expansion of Downstream's operational segments with the inclusion of PETRONAS' Infrastructure and Utilities Business, Technology and Engineering Division and Pengerang Integrated Complex as part of its structure, following the Group's re-organisation under Project Stellar.

In addition to the existing portfolio of Oil Business, Lubricants Business and Petrochemical Business, the integration of the new operations is expected to provide for a more streamlined Downstream structure and stronger integration between the different components of PETRONAS' Downstream value chain, for instance between our gas processing and transmission operations and our petrochemical plants. This consolidation is expected to help us weather future market challenges and create stronger internal synergies that would deliver innovation and greater business impact.

During the year, Downstream achieved a number of significant milestones which are expected to strengthen the consolidation of our business and pave the way for future growth.

In terms of our growth initiatives, the PETRONAS Board of Directors approved the Final Investment Decision (FID) for the Pengerang Integrated Complex (PIC) in Southern Johor in April 2014, paving the way for the development of our world-scale Refinery and Petrochemicals Integrated Development (RAPID) and its ancillary facilities. We also continue to see significant progress in the development of key ancillary facilities that would support the plants within the PIC. In November 2014, we initiated the ground breaking for the Pengerang Cogeneration Plant (PCP) which is expected to cater for power and steam requirement for the plants in PIC. Our subsidiary PETRONAS Gas Berhad had also initialled several agreements with its strategic partners to develop the Pengerang LNG Regasification Terminal (RGT2) and the PIC's Air Separation Unit (ASU). Meanwhile, the development of the water supply project under the Projek Air Mentah RAPID (PAMER) and site clearing activities in Pengerang continues to progress as planned.

In 2014, we also announced the development of a new integrated aromatics chemicals complex in Gebeng, Pahang in collaboration with our partner, the BASF Group, heralding PETRONAS' entry into high-value specialty chemicals manufacturing. Kimanis Power Sdn Bhd, a joint-venture with Yayasan Sabah, also achieved full commercial operations for the Kimanis Power Plant in Sabah. The PETRONAS acquisition of Phillips 66 Asia Limited's stake in the Malaysian Refining Company Sdn Bhd was also completed in 2014, transforming it into a wholly-owned subsidiary of PETRONAS. This development will allow Downstream to completely manage and integrate the operations within PETRONAS' refining complex in Sungai Udang, Melaka.

Underpinning all of our efforts is the focus on Health, Safety and Environment. During the year, we continued to strengthen different aspects of process and personal safety to ensure better compliance with our safety framework, as crystallised in our ZeTo rules. Unfortunately in 2014, we experienced a number of fatalities and Lost-Time Incidences (LTI) in our operations. We are committed towards closing the gaps in the observance of our safety practices and we hope to see visible improvements in our safety achievements in the coming year.

Central to the success of our organisation is the quality and capability of our people. In 2014, Downstream continued to strengthen its commitment to achieving a complete Cultural Transformation in order to propel the organisation towards achieving breakthrough results. In support of this effort, the Downstream Cultural Beliefs were introduced as a guiding compass for our people to adopt a more positive and performance driven culture. Programmes were also rolled out to cascade the understanding and internalisation of these beliefs at all levels.

In relation to this, we are also upskilling our Downstream leaders to take ownership of the Transformation process, encouraging them to engage with their constituents more closely using a number of specially designed tools. We are beginning to see some early fruits from this effort, which we hope will assist us in delivering the ambitious growth targets that will define PETRONAS' future.

Our performance in 2014 is a manifestation of our determination, despite overwhelming odds, external uncertainties and internal constraints, to continue pushing ahead to achieve our vision of becoming a merit-based high performing business.

Oil Business

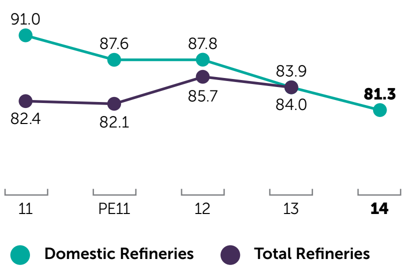
Overview

PETRONAS owns and operates four refineries with a total refining capacity of about 550,000 barrels a day. Our crude oil and petroleum products trading and marketing activities span the globe and our crude oil portfolio includes a range of grades from various regions.

Crude Oil Refining

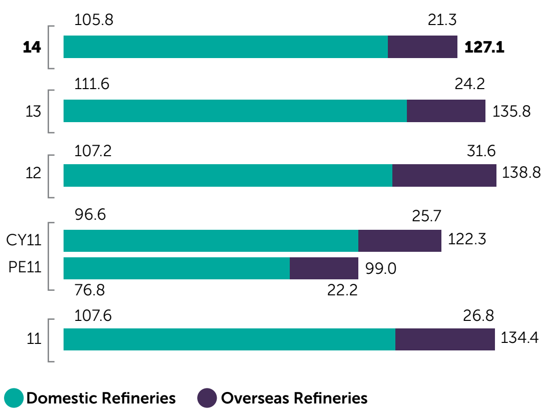
Utilisation Rate of the Group's Refineries

In percentage (%)



Refining Throughput

In million barrels



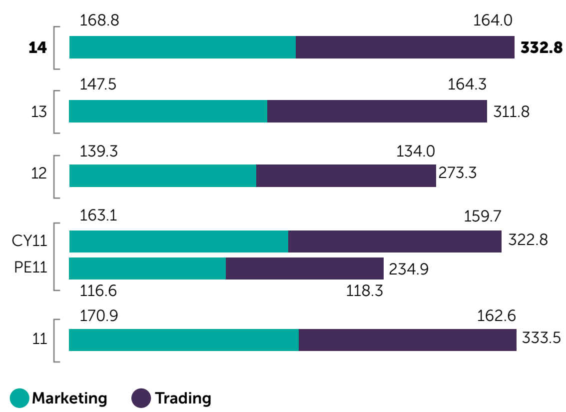
The Group's domestic refineries continue to play a strategic role in adding value to the nation's petroleum resources, as well as enhancing the security of its energy supplies. During the year under review, the Group's domestic refineries collectively recorded a lower throughput volume of 105.8 million barrels as compared to 111.6 million barrels in 2013. This is due to statutory turnaround and several maintenance shutdowns in 2014, which also resulted in a lower utilisation rate of 81.3%.

The overall reliability rate of the domestic refineries remains high at 99%, a testimony to the Group's continued operational excellence. This strong emphasis on safe operations resulted in PETRONAS Penapisan (Melaka) Sdn Bhd's (PP(M)SB) continuous achievement in receiving major international and national awards in the oil and gas sector, namely The Royal Society for the Prevention of Accidents (RoSPA) 2014 Occupational Health and Safety Awards, Chemical Industries Council of Malaysia (CICM) Award 2013/14 and Advancing Chemical Engineering Worldwide (IChemE) 2014. In addition, PETRONAS Penapisan (Terengganu) Sdn Bhd (PP(T)SB) also received the CICM Responsible Care Awards 2013/14 and was re-certified for ISO 14001:2004 (EMS) and 9001:2008 (QMS).

Crude Oil & Petroleum Products Marketing & Trading

Marketing & Trading

In million barrels



The Group's marketing and trading volumes for crude oil and petroleum products increased in 2014 at 332.8 million barrels against 311.8 million barrels in the preceding year.

The marketing volumes for crude oil and petroleum products have increased to 168.8 million barrels in 2014 against 147.5 million barrels in 2013, attributable to higher entitlement of Foreign Equity Crude Oils (FEC) and Malaysian Crude Oil (MCO).

The Group's trading volumes for crude oil and petroleum products for 2014 hovered around 164 million barrels, slightly lower than the trading volume of 2013. The decrease was mainly contributed by crude oil trading, as a result of lower crude demand.

Petroleum Products Domestic Marketing

The Group's domestic marketing activities include the retailing and marketing activities of PETRONAS' full range of petroleum products including fuels such as gasoline and diesel, lubricants and LPG for household and commercial uses.

Retail Business

The Retail Business drives the sales of fuel and non-fuel products for the Company, providing a one-stop centre convenience that delivers exceptional customer experience at PETRONAS stations.

Over the years, PETRONAS has continued to strengthen its position as the largest petrol station network in Malaysia. For the year under review, the Company added 25 new stations to further complement the strong network of over 1,000 stations nationwide, enabling the business to extend its reach to the customers throughout Malaysia. The PETRONAS PRIMAX brand was further strengthened via the launch of the new PETRONAS PRIMAX 95 with Advanced Energy Formula nationwide in May 2014. The reception to the new product has been positive with its average daily sales witnessing significant increase post launch.

The Company currently has the largest network of convenience stores at its petrol stations with almost 750 Kedai Mesra nationwide. The Kedai Mesra network is further complemented with ATMs (1,369 terminals), Touch 'n Go facilities (656 reload terminals) and e-Pay terminals (1,025 terminals). As a testament to PETRONAS' status as the domestic Petromart leader, the PETRONAS Kedai Mesra's annual chargeable sales in 2014 have crossed the RM1 billion mark for the first time.

Commercial Business

For Commercial Business, PETRONAS sustained its reach to numerous economic sectors in Malaysia as the segment market leader via various portfolio of products which include aviation, diesel, bitumen and fuel oil. It practises a high standard of operations and services, which is demonstrated by its ability to maintain the ISO9002 certification in 2014, a credential held since 2008. The Business is strongly supported by the Company's extensive supply, distribution and logistics system throughout the country, which ensures reliability, timeliness, competitiveness and quality of its products and services.

Aviation continues to be one of the key contributors to the Commercial sectors, in line with the growth of the Malaysian key economic activities and tourism industry. The opening of KLIA2 on 2 May 2014 also contributed positively to the increase in jet fuel demand, supporting the phenomenal growth in the low-cost travel industry in Malaysia.

In November 2014, the Company was once again awarded the Best Regional Jet Fuel Marketer in Asia Pacific for the second consecutive year at the IATA Fuel Forum held in Dubai. This award reflects the Company's sustained efforts and commitment towards establishing itself as the preferred into-plane refueling provider in Asia Pacific.

LPG Business

The LPG Domestic Business drives the marketing and sales of cooking gas under the brand name of Gas PETRONAS, which are available in cylinder sizes of 12 kg and 14 kg suitable for household use, 50 kg and bulk LPG (ranging from 200 kg to 32,000 kg tank sizes) for both Small and Medium Industries (SMI) and industrial customers.

The focus area for LPG Business for the year under review has been to further sweat its existing cylinders via increasing cylinder turnaround and ensuring consistent efforts to reduce idling cylinders at its terminals. Through its 'Value Driven Growth' strategy, the LPG Domestic Business has successfully defended Gas PETRONAS' position as Malaysia's No. 1 Cooking Gas.

Lubricants Business

The Lubricants Business retained its position as the second largest player in a highly competitive industry via its portfolio of quality lubricant products including Passenger Car Motor Oil Lubricants, Motorcycle Oil Lubricants, Commercial Vehicle Lubricants, as well as Industrial and Marine Lubricants. The Business continued to grow at an aggressive 4% in 2014.

Propelled forward by the transformation of Lub Dagangan Sdn Bhd (LDSB) as a wholly-owned subsidiary, the high-street segment recorded double-digit growth in sales volume. For the year under review, the Company operationalised another 55 PETRONAS LubeXperts, PETRONAS' fully-branded lubricant outlets, throughout Peninsular Malaysia.

The year under review also witnessed growth for the Original Equipment Manufacturer (OEM) business. Existing partnerships were defended and new partnerships were secured. These new partnerships include Citroen, a major OEM customer, and WheelCorp Premium Sdn Bhd, an authorised BMW dealer. The partnership with OEM was further strengthened with the introduction of the PETRONAS Syntium 7000 OW-40 API SN into the Malaysian market.

Lubricants Business

Overview

PETRONAS Lubricants International (PLI) adds value to the PETRONAS Group through its role as a global marketing arm with the widest geographical representation of any PETRONAS business unit. As a marketer of high-quality automotive and industrial lubricants, PLI's PETRONAS-branded products connect consumers across the world to the PETRONAS Corporate Brand.

PLI continues to strengthen the business through initiatives to expand our global market reach, increase investments to boost supply chain and logistics capacity, and sharpen our competitive edge in Technology and Research capabilities.

PLI recorded respectable growth in 2014, with a 6% increase in sales volume to 740 million litres from 2013, mirrored by a 6% increase in revenue, mainly driven by stronger performances in Europe, Asia and North America. PLI's growth in 2014 is noteworthy especially in view of the less than 1% growth of the general lubricants industry. This performance indicates PLI's strong traction towards achieving its five-year business target of becoming a top player in the global lubricants industry.

Global Sales and Marketing

PLI penetrated several new markets in 2014, including Pakistan, Bangladesh, Chile, Colombia, Peru and Mexico. These new PLI markets effectively bring the PETRONAS brand to a total of 83 markets across the world.

Strengthening Supply Chain & Logistics Capacity

In 2014, PLI obtained Final Investment Decisions (FID) from the Board of Directors for investment into new plants and for upgrades of existing facilities to enhance our global supply chain and logistics footprint.

In Argentina, PLI will relocate the current plant to a more strategic location in Buenos Aires. The new plant, with a capacity of 35 million litres, will provide pivotal support for PLI's business expansion strategy in Latin America, starting with serving the southern cluster of markets including Argentina, Chile and Uruguay.

PLI also obtained FID to upgrade our plant in Shandong, China from the current 45 million litre-capacity to 150 million litres. The USD62 million project will significantly increase PLI's supply and distribution strength to the Northern, Central and Eastern regions of China, in line with PLI's aggressive growth ambitions in the world's fastest-growing economy.

Research & Technology

PLI's technology team delivered significant wins in 2014 for PETRONAS. As the primary technology resource to the MERCEDES-AMG-PETRONAS F1 team, the technology team delivered the winning formulas in the form of fuel and lubricants that powered the Silver Arrows to the World Championship title.

Beyond the F1, PLI's technology team also delivered achievements that have made headlines in the industry. Through ongoing research initiatives for PLI's long-term heavy duty vehicle partner Iveco, the technology team developed the industry's first 0W-20 commercial vehicle lubricant. Developed for the new Euro VI generation engines, PETRONAS Urania Next 0W-20 with its newly enhanced fuel economy formula has been proven to provide fuel savings of up to 2.5% in specific vehicle operating conditions.

Driving technology as a winning differentiator, PLI's focus on research and technology activities to develop products that exceed industry standards has earned successes with major Automotive OEMs, including:

BMW

PLI is the sole factory fill supplier for its four-cylinder diesel engines at the BMW Steyr plant in Austria.

Daimler

PLI's MB35D product successfully trumped products from other leading lubricant companies, landing PLI a first fill supply contract for three years.

AMG

PLI's flagship Passenger Car Motor Oil (PCMO) product, PETRONAS Syntium 7000 0W-40 now serves AMG's new generation of V8 Gasoline engines. This is in addition to the existing supply for AMG's M133 engines.

Ferrari and Maserati

PLI successfully completed a technical evaluation of its high-performance brake fluids, and are now contracted to provide factory fill brake fluids for both OEM brands.

In Asia, PLI has also been successful in winning first fill contracts with OEMs such as BAIC, Toyota, Bharat Benz, Suzuki Maruti and Perodua.

Petrochemicals Business

Overview

PETRONAS Chemicals Group Berhad (PCG) leads the growth of PETRONAS' Petrochemical Business, one of the most important segments of the petroleum industry with its direct connection to the manufacturing and fast moving consumer goods sectors.

PCG is the leading petrochemicals producer in Malaysia and one of the largest in South East Asia - involved primarily in the manufacturing, marketing and selling of a diversified range of petrochemical products, including olefins, polymers, fertilisers, methanol and other basic chemicals and derivative products.

The bearish market sentiment that persisted in 2013 had largely continued into 2014, fuelled mainly by China's softer economic growth as a result of weak credit growth and stalled stimulus measures.

The first half of the year under review saw firmer petrochemical product prices on the back of higher ethylene and polymer prices following shutdown at several regional producers' facilities. The exception were aromatics and propylene where lower prices were recorded as a result of over-supply with new capacities coming on stream. In addition, lower downstream demand also affected ethylene glycols and aromatics prices.

Almost all product prices began to decline in the second half of the year as a result of the lower feedstock cost in tandem with falling crude oil and naphtha prices. Methanol prices were lower as key regional producers resumed production with prices falling further towards the end of the year in line with declining crude oil prices.

The fertilisers market saw softening market conditions on the back of ample supply. Urea prices fell during the second half of 2014 as Chinese exports surged following a more competitive tax structure.

Consequently, Asia IPEX, a price index comprising a basket of 12 key petrochemical products, registered a drop from 323 to 312 in 2014.

Operational Performance

TPCG achieved a higher overall plant utilisation rate of 80% for 2014 compared to 78% in the previous year. Correspondingly, production volume grew by some 2.7% to 7.7 million metric tons (MT) from 7.5 million MT in 2013. This is particularly commendable despite PCG having gone through heavy statutory turnaround and planned maintenance activities throughout the year.

Year 2015 will see us undertaking lower statutory turnaround activities compared to the last two years. We will continue to drive operational excellence through flawless turnaround execution, continuous plant reliability improvement and supplier relationship management.

With tighter controls and improvement measures in place, we successfully completed our statutory turnaround activities for the year under review effectively, on schedule and within cost. On top of this, a record number of our plants successfully attained world-class operational excellence standard.

We have been working closely together with our upstream suppliers to increase availability and reliability of methane gas supply via the Dalak Pipeline project. The Dalak Pipeline that is currently in construction will bring in gas from new sources of supply directly to our methanol facility in Labuan by 2016.

In addition, the ethane recovery enhancement initiative at PETRONAS Gas Processing Plant and continued development of new gas fields offshore Peninsular Malaysia by PETRONAS are expected to increase the ethane supply availability and reliability.

In the face of a highly challenging petrochemicals market environment, we continue to have utmost regard for Health, Safety and Environment (HSE). Overall, we were successful in safely executing close to three million man-hours of turnaround activities with no major HSE incident. All our efforts thus far have led to one of our best HSE performance, with significant improvement in Lost Time Injury Frequency (LTIF) in 2014. These achievements, along with the numerous industry accolades received from Chemical Industries Council of Malaysia (CICM), the Malaysian Society for Occupational Safety and Health (MSOSH) as well as the Royal Society for the Prevention of Accidents (RoSPA), mark the unrivalled commitment of our people in internalising the right safety values so as to achieve sustainable world-class plant safety performance.

Growth Strategy

Our Petrochemicals Business continues to focus on value preservation and growth in petrochemicals basic while diversifying further into higher-margin derivatives, specialties and solutions.

A major growth project aimed at capacity growth in petrochemicals basic is our Sabah Ammonia Urea (SAMUR) project in Sipitang, Sabah which would increase PCG's urea capacity by 1.2 million metric tonnes per annum (mtpa), almost doubling our current installed capacity of 1.4 million mtpa and will position PCG as the second largest urea producer in the region.

Two growth projects aimed at further diversifying our products portfolio into derivative, specialties and solutions are being carried out in partnership with BASF at BASF PETRONAS Chemicals Sdn Bhd's site in Gebeng, Pahang. These are the integrated aroma chemicals complex and 2-ethylhexanoic acid production plant. All three projects are targeted to come onstream on schedule in 2016.

Also, as part of our marketing and sales excellence efforts, we have incorporated two overseas marketing subsidiaries, namely PCM (Thailand) Co Ltd in Thailand and PCM (China) Co Ltd in China, with a view to being close to our customers and further growing our presence in key markets. During the year, we also obtained the Labuan International Commodity Trading Company license for our Labuan marketing subsidiary.

It is PETRONAS' firm belief that these strategies and plans will not only strengthen the Petrochemicals Business' resilience in the face of the current chemical industry challenges, but will also propel PETRONAS ahead to realise our long term growth aspirations.

Infrastructure and Utilities Business

Overview

Downstream's Infrastructure and Utilities Business (I&U) is responsible for adding value to Malaysia's gas resources by processing it into fuel for power generation and feedstock for the petrochemicals industry, while guaranteeing the security of supply through injecting additional gas into the grid via our LNG regasification terminal. I&U is also involved in power generation and the supply of industrial utilities to industrial areas in Kertih, Terengganu and Gebeng, Pahang.

During the year, I&U's Gas Processing Plants (GPP) processed an average of 2,011 million standard cubic feet per day (mmscfd) of feed gas. Our Peninsular Gas Utilisation (PGU) pipeline network, received an additional 315 mmscfd of gas from the Malaysia-Thailand Joint Development Area, as well as an additional volume of around 232 mmscfd from our LNG Regasification Terminal (RGT) in Sungai Udang, Melaka, and transported some 2,322 mmscfd of sales gas to PETRONAS' customers.

Gas Processing and Utilities

In our Gas Processing segment, our Gas Processing Plants (GPP) continued to exhibit solid, world-class reliability, with very marginal performance fluctuation. Our sales gas reliability was recorded at 99.4%, while our liquids reliability were at 95.1%, 95.6% and 95.6% for Ethane, Propane and Butane respectively. Our Gas Transportation segment also recorded a high reliability of 99.92% during the year.

Our Utilities segment experienced an increase in reliability for electricity, steam and industrial gases at 97.8%, 97.9% and 99.0% respectively, thanks to continuing efforts to sustain plant operational performance during the year.

Our Regasification segment continues to sustain positive performance for its first full year of operations.

In November 2014, we achieved a major milestone for our business in Sabah when Kimanis Power Plant (KPP), a joint-venture with Yayasan Sabah, achieved full commercial operations.

With this achievement, the 300MW plant which receives gas from the PETRONAS-owned Sabah Oil and Gas Terminal (SOGT) will be part of a new wave of infrastructure that will improve the reliability of electricity supply in Sabah, bolstering the state's socio-economic development and industrialisation process.

The Plant Rejuvenation and Revamp 4 (PRR4) project, currently carried out at the Gas Processing Plant 4, Dew Point Control Unit 2 and Kertih Compressor Station B, all located at our Gas Processing Kertih (GPK) complex, is progressing well and is expected to undergo commissioning within the year. The completion of this extremely important project will ensure continued reliability of our gas processing installations which are the very lifeline of gas supplies for Malaysia.
During the year, we also initiated the development of two key ancillary facilities to support the Pengerang Integrated Complex (PIC) in southern Johor, namely the development of Malaysia's second LNG regasification terminal (RGT2) and the Air Separation Unit (ASU).

The RGT2 project will consist of an LNG regasification unit, two units of 200,000 m^3 LNG storage tanks with a send-out capacity of 3.5 mtpa (490 mmscfd) of natural gas, and an export facility. The RGT2 is expected to provide primary gas supply to RAPID, the Pengerang Cogeneration Plant as well as the Peninsular Gas Utilisation (PGU) grid to mitigate the tight gas supply situation.

Meanwhile, the ASU will play an integral role in supplying industrial gases to Operating Units in PIC with a target of meeting the PIC's Refinery First Start-Up in early 2019.

The shareholders' agreement, as well as related documents for the development of RGT2 and the Heads of Agreement (HOA) for the development of the ASU were signed between PETRONAS Gas Berhad (PGB) and our partners in November 2014.

Pengerang Integrated Complex

Overview

The Pengerang Integrated Complex (PIC) is PETRONAS' largest investment in Malaysia to date. Developed within a 6,242-acre site in Pengerang, PIC forms part of the Johor State Government's ambitious Pengerang Integrated Petroleum

Complex (PIPC), under the Malaysia's Economic Transformation Programme (ETP), to establish new engines of growth for Malaysia.

PIC is designed to meet future energy requirements and strengthen PETRONAS' position as a key player in the Asian chemicals market, focusing on differentiated and specialty chemicals. PIC will also meet domestic demand for petroleum products and the Malaysian Government's future legislative requirements on the implementation of Euro 4M (Mogas) and Euro 5 (Diesel) specifications, as part of Malaysia's commitment under the Kyoto Protocol.

PIC comprises the Refinery and Petrochemical Integrated Development (RAPID) complex and its associated facilities; including the Pengerang Co-generation Plant (PCP), Re-gasification Terminal 2 (RGT2), Air Separation Unit (ASU), Raw Water Supply Project (PAMER), Liquid Bulk Terminal (SPV2) as well as Centralised and Shared Utilities and Facilities (UF).

RAPID is estimated to cost USD16 billion while the associated facilities involve an investment of about USD11 billion. PIC is poised for its refinery start-up to be in early 2019.

PIC's strategic location also has the following competitive advantages:

- Safe, sheltered area with natural deep-water harbour
- Access to existing major shipping lanes
- Proximity to target markets within Asia
- Proximity to an existing major trading hub
- Availability of sufficient land for development

PIC received its Final Investment Decision (FID) from the PETRONAS Board on 3 April 2014, and the project is currently progressing as scheduled.

Refinery and Petrochemical Integrated Development

Refinery and Petrochemical Integrated Development (RAPID) is a project under the development of PETRONAS Refinery & Petrochemical Corporation Sdn Bhd (PRPC).

The refinery and steam cracker provides feedstock for the petrochemical plants. The refinery has a capacity of 300,000 barrels per day (bpd) and the steam cracker will have a combined annual production capacity of more than 3 million tonnes per annum (mtpa) of Ethylene, Propylene and C4 - C6 olefins products.

RAPID was first announced by Malaysia's Prime Minister Dato' Sri Mohd Najib Tun Abdul Razak on 13 May 2011, and was officially launched by His Royal Highness Sultan Ibrahim Ismail Ibni Almarhum Sultan Iskandar Al-Haj exactly one year later.

Associated Facilities

Pengerang Cogeneration Plant

Pengerang Cogeneration Plant (PCP), is a project under the development of Pengerang Power Sdn Bhd, a wholly-owned subsidiary of PETRONAS Power Sdn Bhd.

The PCP will generate 1,220 megawatt (MW) of electricity and up to 1,480 tonnes per hour of steam to power the plant within the complex. The large amount of steam needed for process requirements in PIC presents a very unique opportunity to generate the most efficient electricity production (approximately 75% to 85% efficiency) in a cogeneration configuration. The PCP will be structured as a stand-alone utilities provider to PIC whilst also supplying 400MW to Tenaga Nasional Berhad (TNB).

PCP will play an important role in providing reliable steam and power to meet the requirements of the plants within the PIC area, and supplement the needs of the Peninsular Power Grid.

Air Separation Unit

The Air Separation Unit (ASU) is a project developed under PETRONAS Gas Berhad (PGB).

The ASU plant separates atmospheric air into its primary components (oxygen and nitrogen) and supplies gaseous oxygen and nitrogen to PIC customers. It will have a capacity of 1,600 temperature-programmed-desorption (TPD) of oxygen and 1,800 TPD of nitrogen.

Regasification Terminal

The Regasification Terminal project or its acronym RGT2 is under the purview of PGB.

RGT2 consists of a regasification unit, two units of 200,000 m^3 LNG storage tanks with a send out capacity of 3.5 MTPA (490 MMscfd) and is expandable to 7 MTPA (900 MMscfd) and a jetty which can accommodate LNG Carrier of size 5,000-265,000 m^3 Q-max.

RGT2 will provide primary gas supply to RAPID, PCP and the Peninsular Gas Utilisation grid to augment the availability of gas in the country.

Centralised and Shared Utilities & Facilities (UF)

The utilities, site development and other infrastructure facilities required by PIC will be provided by PETRONAS Refinery & Petrochemical Corporation Utilities & Facilities (PRPC UF) Sdn Bhd, a subsidiary under the PETRONAS Group. The basis of the UF project takes into consideration the requirements of the whole PIC.

Liquid Bulk Terminal

The Liquid Bulk Terminal (SPV2) is a project under the development of Pengerang Terminals (Two) Sdn Bhd (PT2SB) a joint venture between Dialog Equity (Two) Sdn Bhd, PRPC Utilities and Facilities Sdn Bhd, Vopak Terminal Pengerang BV and State Secretary, Johor (Incorporated).

PT2SB, developed under the Pengerang Terminal Phase 2 project will undertake the development, construction and operation of the facilities required for the handling, storage and distribution of crude oil, petroleum, chemical and petrochemical feedstock, products and by-products to and from the RAPID complex. The storage facilities will have a capacity of approximately 1.7 million cubic metres (m^3) and a deepwater jetty with 11 berths.

Raw Water Supply Project

The Raw Water Supply Project for RAPID is under the purview of PETRONAS Refinery & Petrochemical Corporation Water (PRPC Water).

Known as "Projek Air Mentah RAPID" or PAMER, it involves the construction and installation of facilities to supply 230 MLD of raw water to RAPID and 30 MLD of raw water for public consumption by May 2016. The PAMER project comprises the following facilities:

- Intake Works: An intake and raw water pumping station, flood detention pond, switch station and transformer yard located at Sungai Sedili Besar, approximately 80 km north of PIC;
- Seluyut Dam: A main dam, a saddle dam, an administration building, a compressor house, a boat house, a switch station, a store and approximately 1,007 hectares of impounding area. Approximate capacity: 8 months' storage (based on 260 MLD);
- Booster Pumping Station: A pump station, a generator station, a switch station and transformer yard;
- Terminal Reservoir: Comprises a reinforced concrete reservoir, a switch house and a substation. Approximate capacity: 12 hours' storage;
- Raw Water Mains: includes (i) 19 km single pipeline from Sedili Besar Intake Works to Seluyut Dam, (ii) 56 km twin pipelines from Booster Pumping Station to Bukit Panjang Terminal Reservoir, (iii) 13 km twin pipelines from Bukit Panjang Terminal Reservoir to the RAPID boundary.

The PAMER and PCP projects are currently at construction phase.

Technology & Engineering

Overview

Plunging oil prices in the second half of 2014 called for measures that involved reimagining energy™ in new, cost effective ways. Efforts in Technology & Engineering were sharply focused on maximising our competitive advantage to weather the storm.

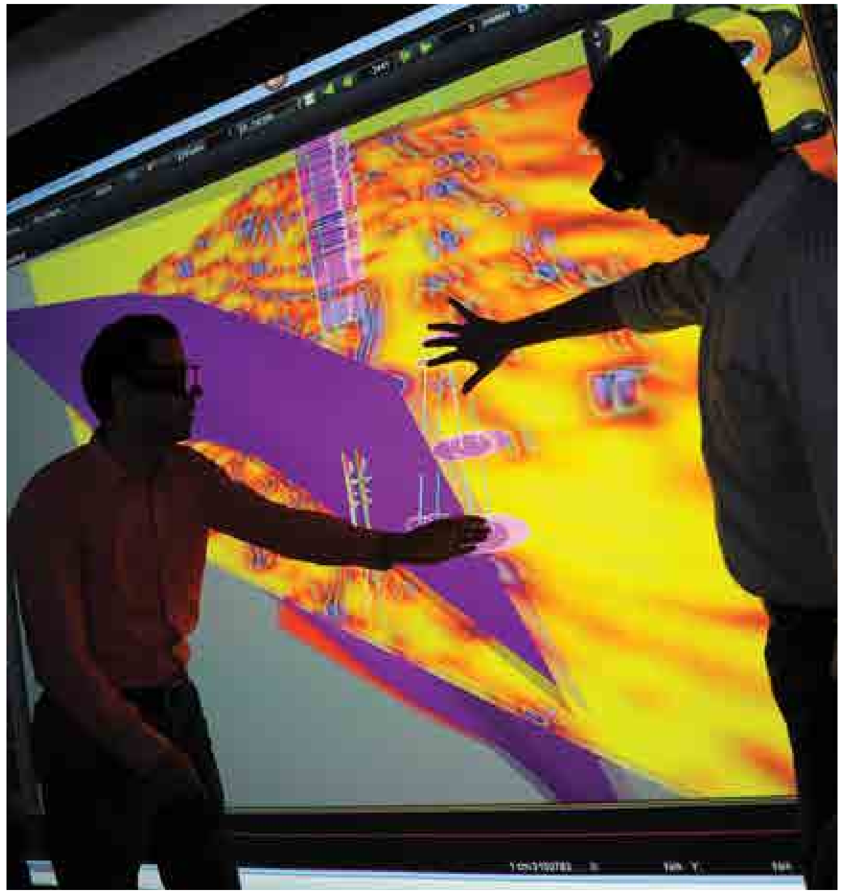
On top of programmes that maximise value from depleting hydrocarbon reserves and ageing assets, new strategies were developed to stay competitive, efficient and effective within the new reality of a low oil price environment. The result: a commendable performance in project management, technical services and solutions, and technology delivery and deployment, with value creation of about RM3.0 billion from cost savings, yield improvement and cost avoidance in 2014.

In project management, a proven PETRONAS Project Management System kept capital project delivery on track and numerous proprietary technologies and technical solutions were deployed. The year under review saw the Sabah Oil-Gas Terminal (SOGT) achieving initial acceptance, while the Garraf Light Oil Transportation System (GLOTS), MLNG New Boiler (MNB) and Trans Thai-Malaysia Gas Balancing Evacuation (TTM EVA) attained mechanical completion.

Technical services peaked in 2014: about 1,080,000 manhours of services were rendered Groupwide, including in deployment of specialised engineering solutions totalling about 375,000 manhours. Work continued apace to develop new solutions that enhance asset integrity, operational performance and safety. To date, nine standard engineering solutions have been sanctioned for implementation across the Group.

Efforts in R&D are collectively driven by PETRONAS businesses and resulted in a growing number of award-winning PETRONAS technologies. Among them were multiple award winners HycaPure™ Hg, the world's first ionic liquid mercury adsorbent, and ProAssure™ Clamp, a breakthrough in composite technology used for pipeline repairs.

Two products were commercialised with licensees in 2014 – HycaPure™ Hg with global chemical company Clariant, and REMCOAT™ with Wasco



Coatings Malaysia. Our technologies are aimed at creating value for PETRONAS' operating facilities and we kept pushing the boundaries to achieve that goal. As at end 2014, PETRONAS had secured 81 patents from 37 inventions, with a further 409 patents pending from 79 inventions.

In the period under review, technical capability building efforts saw 93 new Technical Professionals appointed, bringing the total to 736 Groupwide.

PETRONAS is strategically positioned to use these carefully nurtured resources of innovative technologies, engineering solutions and technical talent to its advantage, as it navigates the uncertain economic environment ahead. In retrospect, the market turbulence of 2014 had its upside: it brought to the fore the resilience, resourcefulness and agility with which we overcame a sea of challenges.

Enhanced Oil Recovery

T&E also supports Upstream's Technical Global in R&D in Exploration and Production. Enhanced Oil Recovery (EOR) remained a key research focus area to boost Recovery Factor and extend the lifespan of maturing fields. It has been projected that EOR efforts will unlock over 750 million barrels of oil (mmstb) from 14 fields.

In the year under review, researchers in PETRONAS developed and piloted two Chemical EOR formulations for the Angsi field to bring in an estimated 60 mmstb of additional reserves. Another formulation for the St. Joseph field, to tap a further 65 mmstb, is scheduled for pilot implementation in 2016.

Exciting developments were seen in the Dulang field. A PETRONAS proprietary Enhanced Water Alternating Gas (WAG) foam surfactant, DD1012, will potentially boost production by up to 6%, with pilot injection slated for 2015. Besides that, a procedure was developed to quantify incremental oil contribution from WAG hysteresis effects, using laboratory techniques. The application of hysteresis in Dulang is estimated to contribute an additional 7% in terms of incremental oil recovery. These technologies will be replicated in other fields.

Dulang was also the subject of reservoir studies, where an innovative Pre-History Matching tool speeded up and enhanced processing of the field's historical production data. Application is now on-going for the Samarang field.

In the quest to uncover additional hydrocarbon resources through enhancement of seismic data, research on Seismic Waveform Classification saw the development of new tools – a waveform classifier, Laplacian filter, relative amplitude change, and a workflow system know as e-RGB volume blending. These were applied on Angsi reservoirs with excellent results: well B-31 was successfully drilled and first oil was achieved in December 2014, with a production rate of 2,000 bpd and technical potential natural flow of 3,400 bpd. The tools were also used on Mauritania, Enau/Bujang and other fields, leading to more drilling plans.

Besides that, research on new materials led to innovations in well maintenance. Well tubing inserts made of a novel non-corrosive, reinforced thermoplastic offered cost savings by minimising costly tubing replacements and drilling of new wells. Pilot implementation will be conducted at three Dulang wells in 2015.

Managing Carbon Dioxide

To stay competitive, enhancing value is a priority and this includes prudent management in the development of high carbon dioxide (CO_2) gas fields. A proprietary high CO_2 corrosion prediction software known as SuperCorp v2.0 was developed to predict corrosion rates in environments with high concentrations of CO_2 and other impurities. It is planned to be applied at the K5 Field Development Project Phase 1 as part of validation of the software. Besides that, PETRONAS has developed Corrosion Inhibitors, namely CI1 and CI4, for environments with high CO_2 partial pressure and moderate levels of impurities. These will be deployed at several fields in 2015.

PN-2, a PETRONAS-owned polymer membrane, is being developed to capture CO_2 from hydrocarbon gas in high CO_2 field developments. The PN-2 CO_2 membrane is currently being tested at the Tangga Barat membrane test skid offshore Terengganu.

Another advanced CO_2 absorption technology, the Membrane Contactor or MBC developed in collaboration with China's Dalian Institute of Chemical Physics and Universal Oil Products (UOP) Malaysia, showed promising results at a pilot skid installed at Gas Processing Plant 3 in Kertih, Terengganu in 2014. The advantage of a relatively compact design, with significantly reduced footprint, weight and solvent inventory, provides MBC with plenty of potential for field applications.

Technologies Hard at Work

Technology products continued to add value across the Group, with over RM90 million worth of technologies deployed in 2014. One PETRONAS innovation that featured prominently last year was Sep-iSYS™, a novel three-phase separation system used in hydrocarbon production. Co-developed with NGL Tech, the system has been in use since 2012 at numerous facilities beyond PETRONAS, in India, Indonesia and Vietnam.

In 2014, a deal worth USD8 million, the single largest technology transaction to date, was secured for Sep-iSYS™ to be installed in PETRONAS FLNG 2, whose main contractor is JGC Corp. Besides that, it also featured in the achievement of first oil at Anjung Kecil, a marginal field offshore Bintulu, Sarawak. The technology possesses many benefits: its compact structure makes it ideal for use in Floating Production, Storage and Offloading units (FPSOs), marginal field developments and other production facilities where space is limited. It is also lighter in weight and requires a substantially smaller capital expenditure than conventional systems.

Another sought-after technology was SmartCen™, an online real-time Metering Supervisory System software designed for use in Custody Transfer and Fiscal Allocation metering operations. Developed in collaboration with Spirit Innovative Technologies, it supports remote monitoring, diagnosis and troubleshooting of metering systems.

SmartCen™ automates metering activities at both Upstream and Downstream facilities, minimising human intervention and ensuring consistency of flow measurement. Early detection of discrepancies effectively prevents value leakage arising from mismeasurement. Installation of SmartCen™ at the Dry Gas Diverter Manifold and EMAS North Malay Basin was completed in 2014, and numerous others are ongoing.

At production facilities, sand management is a constant challenge. PETRONAS Sand Solutions, a comprehensive, production-driven methodology, was developed to address this. For surface facilities, Sand Transport and Erosion Modelling is used to assess sand deposition, erosion risks, and equipment and process limitations, to determine a safe production envelope. Solutions are identified and implemented, such as installing appropriate desanders or making adjustments to process parameters. On top of that, sand and fluids in production wells are monitored using a Sand Surveillance System for early sand warning and detection. Through data collection and analysis, an optimal sand production rate is maintained.

Two subsurface sand management tools were piloted in 2014 to assess sanding risks: Sand Onset Prediction and Volumetric Sand Production Prediction, applied in Turkmenistan's high rate gas wells. Comparisons with field data show a good match between predicted and actual sand production. Another innovation, SegmentizerLocate™, uses Computational Fluid Dynamics simulations to optimise the location and number of flow segmentisers in gas wells, reducing gas velocity and minimising erosion risks. It is suited for wells with Open Hole Stand Alone Screen (OHSAS) completion, which is more cost-effective than conventional completion methods, providing savings of up to USD1 million per well. In 2014, application of this technology at Kepodang in Indonesia led to monetisation of the marginal field. More deployments of PETRONAS Sand Solutions have been planned for 2015.

Licensing agreements have also made several PETRONAS technologies available commercially. In March 2014, a licensing collaboration was signed with specialty chemical company Clariant to bring HycaPure™ Hg to world markets. Following that, a licensing agreement was inked with Wasco Coatings Malaysia in December 2014 for the manufacture and marketing of REMCOAT™ PETRONAS' proprietary three-layer pipeline coating system that protects against corrosion. Efforts continue apace to bring other technology products towards the same goal of reaching new markets.

Standardised Engineering Solutions

We also stayed focused on developing engineering applications to solve problems that are commonly encountered in operations. A growing suite of in-house standard engineering

solutions have been adopted across the Group to enhance asset integrity, optimise operations and safeguard Health, Safety and the Environment (HSE). Standardisation eases the way for a dedicated team of technical staff to provide services at different facilities, enables tracking of data for benchmarking and trend analysis, and improves reliability and efficiency.

On top of five solutions that were already in use Groupwide – P-RBI™ (PETRONAS Risk Based Inspection), P-ALS™ (PETRONAS Asset Life Study), P-IPF™ (PETRONAS Instrumented Protective Function), P-ELSOR™ (PETRONAS Electrical Safety and Operability Review) and process optimisation software iCON® – a further four solutions were added to the suite in 2014.

FnGMap™, a three-dimensional fire and gas mapping visualisation software, accurately determines optimum placement of fire and gas detectors, protecting hydrocarbon environments. It minimises qualitative engineering judgment and thereby prevents errors of over- or under-engineering, leaving nothing to chance.

P-VIP™ (PETRONAS Value Improvement Programme) is a methodology that blends engineering know-how and process simulation capability to optimise process plant configuration, increase yields and performance, minimise hydrocarbon loss and improve energy efficiency. This innovation is enhancing operations in both Upstream and Downstream facilities.

In the area of asset integrity, GUSA™ (Global Ultimate Strength Assessment) is an engineering methodology used to assess the integrity status of offshore structures and to map out mitigation action where needed. GUSA™ effectively manages defect assessments and determines whether a structure is safe beyond its lifespan. Its main benefit is cost avoidance, by eliminating redundant interventions and enabling prolonged inspection intervals while ensuring there is no compromise on safety.

The fourth solution, P-EDMS™ (PETRONAS Engineering Data Management System), is a web-based 3D engineering design and data management system for projects and plant operations. It leverages on a Smart Plant system and provides a single platform to integrate design, engineering drawing and data, and manage a range of engineering applications and solutions.

With P-EDMS™, documents can be retrieved digitally from any location online, saving on time and costs, besides providing full traceability and enabling collaboration during the review process. More than 30 PETRONAS projects and operations Groupwide are using the tool.

Award Winning Innovations

PETRONAS R&D is aimed at developing products that are technically superior, commercially competitive and at the cutting edge of innovation. Besides adding value to businesses, numerous PETRONAS breakthroughs took their place in the leagues of world-class technologies. In 2014, four innovations competed against the world's best and emerged as winners and finalists in international award programmes.

The UK Royal Society of Chemistry's Team Innovation Award 2014 recognised R&D efforts in "Ionic Liquid Technology for Contaminants Removal" that led to the formulation of HycaPure™ Hg. The state-of-the-art ionic liquid mercury adsorbent was developed by PETRONAS and the QUILL Research Centre of Queen's University of Belfast. This latest award was in

addition to the innovation's impressive haul in 2013 of three awards at the International IChemE Awards, UK, plus the coveted International IChemE Niklin Medal for best overall entry.

HycaPure™ Hg can remove the full range of elemental, inorganic and organic mercury species from gas streams in a single treatment at up to four times the adsorption capacity of conventional adsorbents. Progress was seen in two pilot plants commissioned in FY2014 – one for condensate feeds at the Onshore Gas Terminal in Kertih, and the other for wet gas at MLNG in Bintulu. The adsorbent has been deployed commercially at several PETRONAS processing plants for dry gas feeds.

Another winner is the ProAssure™ Clamp, a pipeline integrity solution that clinched two awards in the year under review. It won in the Oil & Gas Category of the JEC Europe 2014 Innovation Award held in Paris, and the Excellence in Innovation Award 2014 from the Cooperative Research Centres Association, Australia.

The composite clamp, developed in collaboration with the Cooperative Research Centre for Advanced Composite Structures Ltd, Australia, is an in-situ repair system for pipelines with leaking through-wall defects. It comprises two half-shell sections that are brought together around a pipe and bolted in position, while a sealing system provides leak and pressure containment. The composite material gives a host of advantages – it is cost effective, light-weight, resistant to corrosion, and can be custom-made and fabricated quickly.

Also gaining international acclaim was PETRONAS' Sand Solutions. Co-developed with CSIRO, the technology effectively manages sand in production wells, minimising erosion risks through Computational Fluid Dynamics simulations to determine optimal placement of segmentisers in the wells. It was selected as a finalist in the Model-Based Engineering Category of the IET Innovation Awards 2014, organised by the Institute of Engineering and Technology, UK.

An innovation in flow assurance, SolidClenz™, was selected as a finalist in two programmes on different continents – the UK-based IChemE International Awards 2014 and US-based Annual World Oil Awards 2014. The technology, developed jointly with Deleum Chemicals, comprises custom-designed chemical formulations for removing organic and inorganic solid deposits in well bore and production tubings, with extended applications for pipelines and heat exchangers. It has been successfully applied at numerous production wells and process plants.

Project Delivery Excellence

Despite challenging circumstances in the industry, capital project delivery remained solidly on track. The stage-gated PETRONAS Project Management System, coupled with a competent technical corps, innovative contracting strategies and engineering solutions, and best practices in HSE, ensured that projects were delivered safely, within cost, on schedule and with assured operability. All six projects benchmarked by global advisory firm Independent Project Analysis remained within Top Quartile Performance, indicating that they were executed in a timely manner and at lower cost than the industry average. In total, 14 capital projects were at various stages of development in 2014.

The Sabah Oil-Gas Terminal (SOGT) crossed a major milestone when first gas was exported to the Sabah-Sarawak Gas Pipeline on 15 March 2014 and the project achieved initial acceptance in May 2014. It saw its first condensate loading on 3 October 2014, where 150,000 barrels of Kimanis condensate were loaded for transport to PETRONAS Penapisan (Melaka) Sdn Bhd.

Three capital projects attained mechanical completion: the Garraf Light Oil Transportation System (GLOTS), MLNG New Boiler (MNB) and Trans Thai-Malaysia Gas Balancing Evacuation (TTM EVA). For offshore project TTM EVA, an entire platform weighing about 1,800 tonnes was fabricated in Lumut, Perak and then hauled in portions out to the South China Sea for installation. Execution proceeded smoothly and first gas is expected in early 2015.

Some Upstream projects in the execution phase were the Garraf projects in Iraq – Gas to Power, Gas Treatment Unit and Final Development Plan Infill – as well as MLNG Dua Rejuvenation, and PETRONAS Floating LNG (PFLNG) 1 and 2. For PFLNG 1, all topside modules have been lifted and the floater is scheduled for mechanical completion by end 2015. This game-changing facility will monetise "stranded" and marginal offshore gas resources.

Downstream, projects under execution were Sabah Ammonia Urea (SAMUR) which will monetise gas reserves from offshore Sabah, and projects within the mammoth Pengerang Integrated Complex (PIC) – the Second LNG Regasification Facilities (RGT2), Pengerang Cogeneration Plant (PCP), and the Refinery & Petrochemical Integrated Development's (RAPID) Steam Cracker Complex (SCC) and Utilities, Interconnecting & Offsite (UIO) facilities.

Capital project delivery scored a perfect safety record of Zero Loss-Time Injury Frequency and Zero Fatalities. In line with measures to optimise costs in projects, savings were realised through engineering design optimisation, standardisation of technical specifications, and via category management.

Value Driven Procurement

A high utilisation rate of category management was recorded, with total procurement value of about RM4.0 billion in 2014. Numerous agreements were signed with Original Equipment Manufacturers (OEMs) and suppliers to further add value through strategic sourcing.

In March 2014, Global Frame Agreements (GFAs) were established with Brook Crompton UK Ltd, ABB Asea Brown Boveri Ltd and Siemens AG for the supply of induction motors. Another GFA was signed in the same month with General Electric International Inc for gas turbine packages, while a Long Term Service Agreement was inked with SapuraKencana GE Oil & Gas Services at the same time for the provision of after-sales service for the turbines.

In May 2014, a One Stop Shop Price Agreement was signed with SC Asian Tubular Supply Pte Ltd and Marubeni-Itochu Tubulars Asia Pte Ltd for the supply of Oil Country Tubular Goods (OCTG). Category management added significant value in terms of security of supply and sizeable cost savings through standardisation of specifications, volume consolidation and managing total cost of ownership.

Building Technical Talent

Efforts to develop a specialist workforce remained a priority despite the softer market. The Technical Capability Development Programme continued to groom competent technical talent.

The Accelerated Capability Development (ACD) programme speeds up skills acquisition of young technical executives so that the time taken to acquire the ability to make sound technical decisions independently, or Time-to-Autonomy (TTA), has been accelerated to just seven years, from over nine years in 2009. The Technical Professional Career Progression maps out a career path for those who are inclined to progress further as Technical Professionals in specific disciplines, and develop their skills to expert levels.

In 2014, 46% of ACD candidates Groupwide achieved TTA. In the same period, 93 new Technical Professionals or TPs were appointed, bringing the total to 736 Groupwide. TPs take the lead in addressing technical challenges and shaping new technologies, and play an important role in mentoring and building technical talents.

Meanwhile, the Technical Trade Specialist programme is designed to retain the tacit technical knowledge of highly skilled technicians and operators while the PETRONAS Competency Assessment System or PECAS tracks the development of technical non-executives across the Group to ensure they acquire the necessary skills to operate effectively and safely.

A milestone in 2014 was the accreditation of a skills development programme within SKG 16, the Process & Operations Skill Group, by the global Institution of Chemical Engineers, IChemE. PETRONAS is the first Malaysian company to receive the prestigious IChemE Accredited Company Training Scheme (ACTS) benchmark for company training. The accreditation recognises that the PETRONAS programme, which nurtures chemical engineers towards Chartership, is on par with international standards.

These investments in human capital are showing great dividends, as a growing force of PETRONAS technical talents are effectively driving the Group forward, besides influencing and shaping the industry.

Outlook

In the year 2015, the world economy is expected to grow by 3.5% in terms of Gross Domestic Product (GDP), driven by the recovery in advanced economies of the US and the Eurozone.

Closer to home, in the Asia Pacific region, China's GDP growth could taper to 6.8% in 2015 as fiscal reform continues and broad-based stimulus remains limited. Improvements in India and ASEAN economies where GDPs are forecasted to grow at 6.4% and 5.2% respectively is anticipation to support regional demand growth.

Notwithstanding this, the oil and gas industry itself will pose a number of challenges to corporations such as PETRONAS, as the low price environment, experienced since the second half of 2014, is likely to continue in the near term.

Against this backdrop, global oil demand is expected to grow marginally at 1.5% to around 94 million barrels per day, with the economies in Asia and the Middle East contributing the bulk of this growth. Strong gains are also anticipated in regions such as Africa, the former Soviet Union and the Americas.

Meanwhile, the world's oil supply capacity is expected to continue growing in 2015, led by strong production growth from non-OPEC members, as well as the growth of unconventional resources. Total oil supply capacity is anticipated to grow by 2.15 million barrels per day to 95.9 million barrels per day. OPEC's production is expected to grow by 0.19 million barrels per day in 2015 to average around 31.38 million barrels per day. Asia crude imports are expected to increase by 0.7 million barrels per day to 31.5 million barrels per day, accounting for nearly 33.5% of the international crude market.

Demand for petroleum is expected to moderate, especially in more developed economies, while the market is expected to experience some over-supply of middle distillates.

The landscape for the lubricants business is unpredictable for 2015, despite the expected increase in global vehicle sales, particularly in North America and China. Lubricant manufacturers such as PETRONAS will be impacted not only by the fluctuation in oil prices but also the movements of world currency exchange rates on business operations.

The strategy and focus our petrochemicals arm had placed in the last few years has strengthened our position in the business, and outlook for petrochemicals remain encouraging despite the uncertainties of low crude price environment. In 2014, a series of heavy statutory turnaround and maintenance activities were successfully executed with better precision and management, which enables us to now shift our focus for 2015 to increasing utilisation rate by as high as 5% as well production volume. The inherent advantages of being part of an integrated oil and gas chain as well as being strategically located in South East Asia – the region with fastest growth of chemical consumers – we intend to complement with focus on three main capabilities i.e. operational excellence; marketing and sales excellence; and innovation excellence.

Looking ahead, petrochemicals demand is expected to be fairly healthy with ethylene demand projected to grow at comparable levels to 2014. While the market is expected to be more competitive with additional capacity expected to come onstream, increasing demand due to the economic recovery taking hold in the US, coupled with the unproved standards of living in parts of developing Asia is expected to sustain demand in the near future.

Amidst this challenging environment, PETRONAS will continue to focus on maintaining its agility and competitiveness, through prudent cost management and strengthening its internal synergies and operational efficiency towards delivering stronger performance.

Our People

HIGHLIGHTS

PETRONAS won the fifth Asia's Best Employer Brands Award 2014. Jointly hosted by Employer Branding Institute, World HRD Congress and Stars of the Industry Group, the awards is supported by CHRO Asia as strategic partner and endorsed by the Asian Confederation of Businesses.

PETRONAS ranked Top as Malaysia's Top 100 Ideal Employers based on a student survey conducted by Universum, a global leader in employer branding. We were selected by students from business, engineering, natural sciences and law disciplines.

PETRONAS was awarded GRADUAN's Top 10 Preferred Employer Brand at the GRADUAN Aspire Career and Postgraduate Fair 2014 for the third consecutive year. In the oil and gas category, PETRONAS came out top as the most popular oil and gas organisation, followed by Shell and Technip.

PETRONAS' resilience in business has always been underpinned by the pedigree and tenacity of our people. We believe in growing and developing our talents as a critical priority of business. Attesting to this are the efforts and investment PETRONAS has made to develop our human capital, in support of business and organisational growth.

As the only Malaysian company to be ranked in the Fortune Global 500 list, we owe our success to the calibre of people we have onboard, people who consistently push boundaries to achieve breakthrough performance.

In 2014, PETRONAS recorded a staff strength of 50,949. Ours is a young and unique workforce, with more than 50% of our people below the age of 35. In an industry that has traditionally been dominated by men, our women population now make up more than 25% of our total employees. This number is growing and we are proud to have our women workforce reach greater heights within a merit-based organisation. PETRONAS hopes to continue playing a key role in developing a performance-driven workforce, regardless of gender.

In PETRONAS, we understand that performance is key to both operating and succeeding in a challenging industry. This understanding forms the basis for PETRONAS in tailoring the best mix of elements that will not only attract but also retain the right talents within the organisation. Our people gain from exciting job opportunities, competitive remuneration packages, holistic rewards and a conducive work atmosphere that is cultivated for talents to thrive. Adding to this, our commitment to transparency, integrity and empowerment in business and in the workplace also strikes a common chord in a multi-generational, multi-faceted employee population.

Talent Sourcing and Recruitment

In PETRONAS, we look for talents who demonstrate exceptional soft and hard skills, whose attributes add value in an industry that is both dynamic and challenging. Our talent sourcing and recruitment process is consistently reviewed for improvement to ensure relevance in the face of game-changing market conditions and trends. Applying industry's best practices as well as PETRONAS' own standards ensures that we stay abreast of our peers while keeping our recruitment goals in line with market and stakeholder expectations.

Employment Value Proposition

As a global energy player, PETRONAS understands the need for a strong employment value proposition to attract, motivate and retain talents. As such, we strive to provide our people with an environment that espouses the fundamental principles of our own employment value proposition of Trust, Grow and Reward. This complements PETRONAS' Shared Values of Loyalty, Integrity, Professionalism and Cohesiveness, which remain the core tenets of our people.

Global Talent Strategy

Our goal is to employ an agile and adaptable workforce as we create a universal talent pool that is both best-of-breed and able to excel in diversity. This is crucial in producing not only a robust workforce but also a new generation of leaders who are able to propel and steer team performance.

Our Global Talent Strategy is pillared on the following:

- The right talent to support PETRONAS' global growth
- The right environment to facilitate employee development in alignment with PETRONAS' business objectives
- The right leaders to helm advancement of performance excellence

To this end, we have instituted a multi-channel, multi-pronged approach to pursue and incorporate suitable global talents into the PETRONAS Group to meet the growing needs of various operations. Proven talents with excellent track records are sourced from the market or via industrial secondment and project assignments.

Total Number of Employees
(Groupwide)

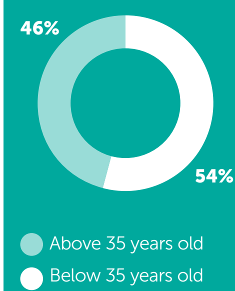
50, 949

Gender

72%

28%

Employees



As at 31 December 2014

Talent Management and Capability Building

As we pursue our aspiration to become a global champion, we also put in measures to enable our people to grow into an agile and resilient group of oil and gas talents. We pay the highest attention to meritocracy and continue to invest substantially in the career needs of our people to drive performance. Talented employees are identified and groomed early in their careers to ensure a sustainable pipeline of future leaders who are ready and able to take on the demands and changing imperatives of the business.

Leadership Development

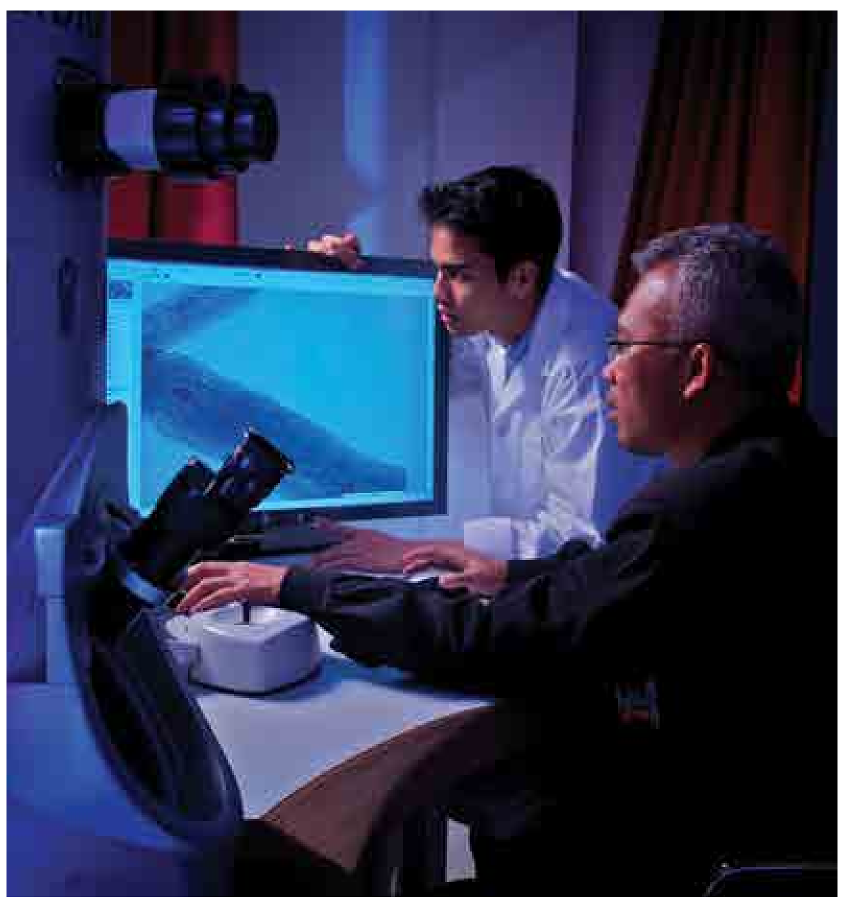
To support the development of leaders, the PETRONAS Leadership Diamond initiative was launched in August 2014 to rejuvenate and create awareness on leadership development amongst our people. The launch event was part of a series of PETRONAS Shine Brighter Roadshows which were held in Kuala Lumpur, Terengganu, Melaka, Sarawak, Sabah and Labuan. The objectives for the roadshow were to communicate the enhanced PETRONAS Leadership Philosophy; to launch the PETRONAS Leadership Diamond as an engagement driver for understanding the leadership philosophy; and to communicate interventions in leadership development.

2014 also saw the coming together of 128 management and senior managers for the Upstream Leaders Connect event. Themed "Onward, Forward", the event was the first of a four-part series targeting 600 middle managers. The Leaders Connect initiative provides a platform for better understanding of the business' strategic directions and plans, and for the middle management to crystallise their role in delivering these plans. Also aimed to revitalise commitment, sense of pride and belonging in PETRONAS, the initiative supports PETRONAS' leadership development efforts.

The Downstream Leadership Annual Meet 2014 saw the participation of some 154 leaders from operating units in Malaysia and throughout the world who came to deliberate on pertinent issues facing the business, with topics ranging from our cultural transformation journey to strategic discussions on areas such as talent, branding and innovation. Roger Connors, CEO and Co-Founder and Tracy Skousen, President, International Division and SVP from Partners in Leadership (PLI), facilitated the session on Downstream Cultural Transformation: Change the Culture, Change the Game. The event also saw a sneak preview of the new Downstream Intranet as a fresh platform to allow Downstream leaders to Connect, Communicate and Collaborate with staff.

Institut Teknologi Petroleum PETRONAS

Institut Teknologi Petroleum PETRONAS (INSTEP) was established in 1981 as a technical training service provider to develop skilled technicians and operators for the oil and gas industry. INSTEP was rejuvenated in 2013 by the construction and commissioning of an industry-scale training facility comprising an Upstream and Downstream Training Plant (UDTP). Officially launched in March 2014, the UDTP is a first-of-its-kind regional training facility and hosts a full-scale replica of upstream and downstream facilities, a drilling rig, a drilling simulator and an engineering workshop. The establishment of the UDTP allows INSTEP trainees and PETRONAS' workforce to experience theoretical and practical training



in a realistic and safe plant environment. This facility is a statement of our commitment to national, regional and international human capital development.

INSTEP programmes are accredited by the Offshore Petroleum Industry Training Organisation (OPITO), the industry's focal point for skills, training and workforce development. Key achievements in 2014 include receiving OPITO's standards approval for INSTEP's Technical Skill Group (SKG) 18 PTW L2 Module as well as the OPITO Chairman's Award in recognition of our leadership and dedication in improving safety and competency in the oil and gas industry.

PETRONAS Leadership Centre

The PETRONAS Leadership Centre (PLC) was established as the learning arm of PETRONAS. Committed to helping all PETRONAS talents in achieve their full potential and transforming them into effective leaders, PLC offers a wide range of informative and insightful programmes that focuses on competency-building and people development. These programmes adopt an integrated and tiered approach that cover a range of leadership and management topics to drive a high performance culture amongst our people as they move up the corporate ladder.

Reimagining the Human Resource Function

Project SAPPHIRE

Project SAPPHIRE was initiated in 2010 as part of the HR Transformation Project ('Reimagining HR') to transform the Human Resource function from transactional and administrative to a more strategic role. The implementation of Project SAPPHIRE supports one of the key imperatives under the HR Corporate House which is Global HR Shared Services outlined under the HR Transformation Project along with Rapid Global Talent Sourcing; Global Workforce & Leadership Mobility; Global Remuneration Rewards; and Customer Centric Employee Experience.

2014 marked the commencement of Wave 4: Project Sapphire Global. The implementation of Project Sapphire Global will cover 14 countries involving more than 11,500 employees over a period of five years.

PETRONAS was awarded the OPITO Chairman's Award in recognition of our leadership and commitment to improving the safety and competency of the oil and gas industry.

Health, Safety & Environment

HIGHLIGHTS

Enhanced Process Safety requirements in PETRONAS' Health, Safety & Environment (HSE) Mandatory Control Framework (MCF).

Strengthened controls for high risk activities such as Working at Height.

Improved operational sustainability in PETRONAS.

PETRONAS is committed to upholding sustainable HSE performance across our business value chain.

Our efforts in this area aim to safeguard PETRONAS' people, contractors and assets as well as local community members and the environment wherever we operate, in Malaysia and internationally. This calls for compliance with regulatory requirements, as well as adherence to the Company's stringent governance mechanisms such as PETRONAS' HSE Policy, HSE Management System, HSE Mandatory Control Framework (MCF) and Technical Standards. Concurrently, we seek to improve our existing control measures in line with internationally accepted industry best practices.

PETRONAS believes that people development is key to addressing the growing Health, Safety and Environment (HSE) complexities of the industry. In line with our Global Talent Strategy, we have adopted a structured approach to continuously develop a pool of competitive leaders across the HSE disciplines. Our objective is to hone the expertise, knowledge and capabilities of our people for facilitating future business growth.

HSE Governance

We strive to improve our HSE performance by strengthening existing systems, processes and guidelines. Among the efforts pursued in 2014 include:

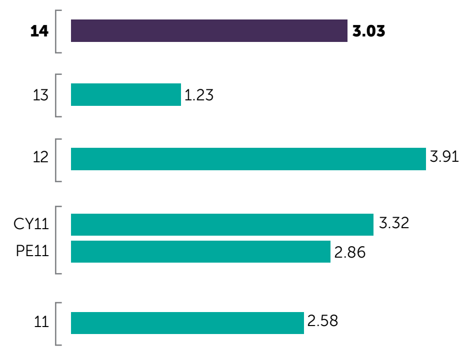
- **Enhancement of the HSE MCF**
  PETRONAS enhanced the HSE Mandatory Control Framework (MCF) element on Design, Engineering and Construction standards to fortify existing Process Safety requirements.

- **Development of Business Specific Hazards & Effects Register (HER)**
  PETRONAS also developed an Operating Unit-specific Hazards & Effects Register (HER) for selected subsidiaries located in Malaysia and abroad. The independent HER thoroughly assesses the adequacy of available control barriers, consequently, enabling more comprehensive Job Hazards Analysis, Management of Change and Pre-incident Planning for the respective business type.

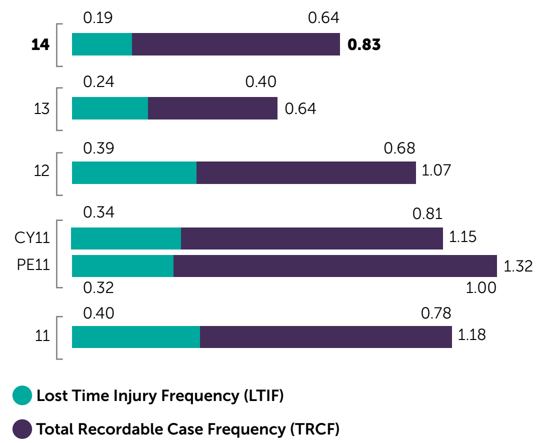
- **HSE Assurance**
  HSE Assurance is typically carried out to measure the effectiveness of our governance mechanisms and subsequently, to reveal enhancement opportunities. In the year under review, a total of 16 extensive HSE Tier-3 Assurance exercises were conducted for both domestic and international operations. The findings were deliberated at various management levels of the respective businesses before submission to PETRONAS' Board Audit Committee.

HSE Performance

Fatal Accident Rate (FAR)
Recordable fatalities per 100 million man hours



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



PETRONAS regrets to have recorded 10 fatalities in 2014, largely due to occupational safety-related incidents which included road mishaps while commuting to the work place.

The industry we operate in calls for a strong safety culture to be embedded in our day-to-day operations and embraced by our people. In PETRONAS, this entails continuously strengthening our risk mitigation practices, supported by ongoing efforts to inculcate a pervasive safety culture in all that we do to achieve HSE excellence across all our businesses.

Streamlined HSE-centric risk management.

Occupational Safety & Health

PETRONAS strives to ensure our people and third party personnel perform their work in a safe environment. In 2014, we continued to bolster HSE practices across our various operating facilities. This included improvements to the Contractor Performance Evaluation and mandating stricter adherence to critical HSE procedures for example, in executing greenfield projects. PETRONAS also closely monitored the HSE performance of our third party personnel and pursued relevant capability development initiatives in identified areas, such as Working at Height (WAH). An extensive 12-week long programme for reducing WAH-linked incidents was rolled out to strengthen implementing safety practices. The programme emphasised four key elements namely, establishing standard practices; implementing streamlined training modules; conducting job planning; and using prescribed equipment.

PETRONAS also conducts regular emergency and crisis exercises at our facilities to ensure optimum readiness. In 2014, we embarked on activities to enhance the emergency response and crisis management procedures for Malaysia and selected international countries of operations. In addition, a major simulation exercise combining critical aspects of crisis management and business continuity, was conducted to measure our effectiveness and efficiency in overcoming multiple crisis scenarios. PETRONAS' top management personnel participated in the simulation exercise.

In the area of occupational health, initiatives such as Fitness to Work Assessment and Medical Surveillance, including programmes to promote a balanced lifestyle helped in empowering a healthier workforce. Predominantly, this targets issues such as obesity, diabetes, heart disease, high blood pressure and communicable diseases.

Product Stewardship

In the year under review, PETRONAS continued its efforts to improve product safety management across the Upstream and Downstream Businesses. This included conducting product risk assessment and toxicology testing. Safety Data Sheets (SDS) were enhanced to incorporate pertinent information on product handling measures throughout its lifecycle. PETRONAS' existing product stewardship implementation practices not only adhere to the Malaysian Occupational Safety and Health regulations for Classification, Labelling and Safety Data Sheet of Hazardous Chemicals (CLASS) 2013, but also to international standards such as the European Union's Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH).

Fortified contractors' adherence to safety standards for greenfield projects.

Sustainable Development

Sustainability to PETRONAS means carrying out our business in a socially responsible and holistic manner. This is to ensure continued growth and success for the benefit of present and future generations in our areas of operations.

Guided by the Corporate Sustainability Framework, PETRONAS undertook several initiatives in 2014 to better manage environmental and social impacts arising from our operations. This included fortifying our practices in the areas of energy and greenhouse gas (GHG) management, water management and social performance.

Operational Sustainability

The PETRONAS Carbon Commitments aim to drive the systematic management of GHG emissions at our facilities. In 2014, PETRONAS' total carbon footprint was 48.44 million tonnes of carbon dioxide equivalent (million tCO_2e), an 7.5% reduction compared to 52.36 million tCO_2e recorded in 2013. Furthermore, several projects undertaken at selected Upstream facilities in Malaysia successfully reduced greenhouse gas emissions by approximately 15%. Improved performance was also seen in the Downstream Business with the achievement of 7% improvement rate in Overall Equipment Effectiveness, from 83.2% in 2013 to 89.7% in 2014. The implementation of PETRONAS' Energy and Loss Management System contributed to greater operational efficiency at our refineries and petrochemical plants.

PETRONAS also put in place prudent fresh water practices to manage this commodity in our operations. Having streamlined our fresh water accounting methodology, PETRONAS reviewed our existing efforts with the aim to minimise fresh water utilisation in our business activities. Internal reviews were carried out at selected facilities to assess fresh water withdrawal and consumption practices. The findings will support our development of PETRONAS' Fresh Water Commitments in 2015.

Social Performance

PETRONAS is committed to supporting sustainable socio-economic growth of local communities wherever we operate. We believe that our Social Performance practices facilitate more holistic business and project decision making. Guided by our Social Performance Framework, we conducted Social Risk Assessments in Malaysia and abroad to gain clearer insights on issues faced by local communities and their expectations of PETRONAS. This included a thorough review of impacts arising in five key areas namely, Health; Safety; Environment; Socio-economic and Cultural; and Security.

Non-Financial Disclosure

The launch of the FTSE4Good Bursa Malaysia Index strengthened the foothold of Sustainable Development in Malaysia. The index places a stronger emphasis for responsible profits on the back of holistic risk management. As such, by recognising companies demonstrating exemplary efforts in advancing environmental, social and governance priorities to spur business growth. Three of PETRONAS' listed entities, PETRONAS Chemicals Group Berhad, PETRONAS Gas Berhad and MISC Berhad, were among a total of 24 companies listed on the index.

Furthermore, the PETRONAS Group Sustainability Report 2013 was shortlisted for the ACCA Malaysia Sustainability Reporting Awards (MaSRA) 2014.

Strengthening Governance and Developing Talents

A solid foundation, complemented by a pool of reliable talent, is fundamental to drive future advancement of Sustainable Development in PETRONAS.

In 2014, the Company strengthened its Sustainable Development Governance mechanisms by reviewing the adequacy of existing frameworks, systems and processes to meet its operational sustainability aspirations. Concurrently, assessed the availability of relevant management guides for better integration of Sustainable Development considerations in business decision making.

Honing skills and capabilities in the discipline of Sustainable Development are ongoing. In the period under review, trainings were carried out in areas such as operational footprint and water accounting as well as Social Performance. PETRONAS also actively participated in discussions led by the Global Oil and Gas Industry Association for Environmental and Social Issues or IPIECA. Moving forward, PETRONAS is committed to advancing Sustainable Development in the Group by leveraging on shared synergies, aiming for greater accountability across all levels within PETRONAS.

Please refer to the PETRONAS Group Sustainability Report 2014 for more information on the Company's HSE and Sustainable Development practices: www.petronas.com.

FTSE4Good Bursa Malaysia Index listing for three of PETRONAS' listed entities.

Awards & Recognitions

Malaysian Institute of Chemistry Laboratory Excellence Awards 2014

This award is designed to ensure the laboratory's commitment to achieve excellence in providing quality and competent testing services pertaining to local legislation especially in the fields of health, safety and the environment.

Area of Testing

ASEAN Bintulu Fertilizer Sdn Bhd
- Gases
- Water
- Wastewater
- Urea

PETRONAS Chemicals Group Berhad
- Water and Wastewater
- Ethylene
- Polyethylene

PETRONAS Chemicals Methanol Sdn Bhd
- Methanol
- Water
- Gas
- Environmental Samples

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

PETRONAS Gas Berhad
- Gas
- Wastewater
- Water

PETRONAS Penapisan (Melaka) Sdn Bhd
- Petroleum
- Water

PETRONAS Penapisan (Terengganu) Sdn Bhd
- Petroleum
- Petroleum Products
- Aromatics - Benzene and p-Xylene
- Utilities (Water)
- Gas
- Wastewater

PETRONAS Research Sdn Bhd
- Petroleum Products (Crude Oil, Fuel, Polyol Ester)
- Water (Drinking Water, Formation Water, Wastewater, Seawater)
- Natural Gas

Malaysian Society for Occupational Safety and Health (MSOSH) Awards

The annual award ceremony aims to give due recognition to companies from various sectors that have performed exceptionally well in occupational safety and health aspects.

Gold Class I Awards (Oil & Gas Sector)
- PETRONAS Dagangan Berhad (PDB) received recognition for its Prai Fuel & LPG and Kertih LPG Terminals Operations Department's effort and commitment towards safety and health aspects.

Chemical Industries Council of Malaysia (CICM) Responsible Care Awards

Corporate Awards for the Six Codes of Management Practices (Petrochemicals Category)

The objectives of the CICM Responsible Care Awards are to promote greater awareness of the Responsible Care Programme and its principles and to give recognition to organisations that have made the most progress in implementing the Responsible Care's Six Codes of Management Practices in Malaysia.

PETRONAS Chemicals LDPE Sdn Bhd
- Distribution Code (Gold)
- Product Stewardship Code (Gold)
- Community Awareness and Emergency Response Code (Silver)
- Employee Health and Safety Code (Silver)
- Pollution Prevention Code (Merit)
- Process Safety Code (Merit)

BASF PETRONAS Chemicals Sdn Bhd
- Distribution Code (Silver)
- Pollution Prevention Code (Silver)
- Process Safety Code (Silver)
- Employee Health and Safety Code (Merit)

ASEAN Bintulu Fertilizer Sdn Bhd
- Distribution Code (Silver)
- Community Awareness and Emergency Response Code (Merit)
- Process Safety Code (Merit)

PETRONAS Chemicals Derivatives Sdn Bhd
- Process Safety Code (Gold)
- Distribution Code (Silver)
- Community Awareness and Emergency Response Code (Silver)
- Pollution Prevention Code (Silver)

PETRONAS Chemicals Fertiliser Kedah Sdn Bhd
- Community Awareness and Emergency Response Code (Gold)
- Pollution Prevention Code (Gold)
- Process Safety Code (Silver)

PETRONAS Chemicals Ethylene/Polyethylene Sdn Bhd
- Community Awareness and Emergency Response Code (Silver)
- Employee Health and Safety Code (Merit)

PETRONAS Penapisan (Terengganu) Sdn Bhd
- Pollution Prevention Code (Silver)
- Community Awareness and Emergency Response Code (Merit)
- Process Safety Code (Merit)

PETRONAS Penapisan (Melaka) Sdn Bhd
- Employee Health and Safety Code (Silver)
- Pollution Prevention Code (Merit)
- Community Awareness and Emergency Response Code (Merit)
- Process Safety Code (Merit)

- **PETRONAS Chemicals MTBE (M) Sdn Bhd/ POLYPROPYLENE (M) Sdn Bhd**
  - Employee Health and Safety Code (Gold)
  - Pollution Prevention Code (Merit)

BP PETRONAS Acetyls Sdn Bhd
- Employee Health and Safety Code (Gold)
- Process Safety Code (Merit)

PETRONAS Chemicals Methanol Sdn Bhd
- Pollution Prevention Code (Merit)
- Process Safety Code (Merit)

PETRONAS Chemicals Ammonia Sdn Bhd
- Pollution Prevention Code (Merit)
- Process Safety Code (Merit)
- Employee Health and Safety Code (Merit)

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

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: Chemical Industry (Highly Commended)

- PETRONAS Chemicals Ammonia Sdn Bhd

Gold Awards

RoSPA Gold Award winners have achieved a high level of performance, demonstrating well-developed occupational health and safety management systems and culture, outstanding control of risk and low levels of error, harm and loss.

- PETRONAS Chemicals Ethylene/Polyethylene Sdn Bhd
- PETRONAS Penapisan (Melaka) Sdn Bhd

Silver Awards

RoSPA Silver Award winners have achieved a high level of performance underpinned by good management systems deliver consistent improvements and are working towards the level of excellence required for a Gold Award.

- PETRONAS Chemicals Methanol Sdn Bhd

National Excellence Awards for Occupational Safety and Health (OSH) 2014

Malaysia MLNG Sdn Bhd brought home two awards in the following categories:

- 'Storage Facilities' recognising MLNG's excellent management
- 'Chief Executive Officer' recognising MLNG's Vice President and Chief Executive Officer En Zakaria Kasah's leadership in promoting Occupational Safety and Health within and outside of the organisation.

British Safety Council 56th International Safety Awards

The International Safety Awards is an annual event that celebrates the success of organisations committed to the health, safety and well-being of their employees. Year 2014's award was participated by 524 organisations from 15 countries.

- PETRONAS Penapisan (Melaka) Sdn Bhd won the Distinction Award for demonstrating its strong commitment to maintaining the health, safety and well-being of its employees through good health and safety management.

MSWG – ASEAN Corporate Governance Index 2014 Award under the Industry Excellence Category for the Oil & Gas Sector

The award is presented to companies to encourage and recognise public-listed companies in their respective industries with the best corporate governance practices including transparency and performance.

- PETRONAS Gas Berhad won the award for its corporate governance disclosure in its annual reports.

Chief Minister's Environmental Award 2014

The award recognises large and small organisations as well as municipal councils for their efforts in conserving and preserving the environment.

- Malaysia LNG Sdn Bhd won in the category of Oil and Gas (Large Industries) for its efforts in conserving the environment during their day-to-day operations and in championing the conservation of marine life through the MLNG BEACON Project.

Best Corporate Social Responsibility Award (CSR) Initiative in 2014

- PETRONAS received an award for its activities and contributions in Garraf, Iraq at the Abu Dhabi International Petroleum Exhibition and Conference (ADIPEC) 2014.

Human Resources Development Award 2014

The highest national recognition in the field of Human Resources Development awarded by Pembangunan Sumber Manusia Bhd (PSMB) under the Ministry of Human Resources of Malaysia.

- Malaysia LNG Sdn Bhd won in the category of Large Employers (Manufacturing), a testament to its active involvement in developing human resources.

Cooperative Research Centres Association (CRCA)'s Awards for Excellence in Innovation

This award recognises outstanding examples of the transfer of research results, knowledge and technologies that have been developed for a wide range of users of research, including the community, companies and government agencies.

- PETRONAS ProAssure™ Clamp won the Award for Excellence in Innovation from the Cooperative Research Centres Association (CRCA) of Australia.

Asia's Best Employer Brand Awards

The Asia's Best Employer Brand Awards are jointly hosted by Employer Branding Institute, World HRD Congress and Stars of the Industry Group, supported by CHRO Asia as strategic partner and endorsed by the Asian Confederation of Businesses.

The awards are designed, owned and executed by Employer Branding Institute, an organisation managed by professionals from various countries and geographies who share the same passion in human resources. The awards acknowledge more than 100 organisations across Asia that demonstrated excellence in building their brands and identities as employers of choice, visible through their human resource practices, polices and strategies, honouring exemplary work in employer branding in more than 20 Asian countries.

- PETRONAS won for its efforts and investment in enhancing human capital development and human resource practices, policies and strategies. These efforts offer an appealing value proposition to increasingly diverse talent segments.

IET Innovation Awards 2014 by Institute of Engineering and Technology (IET)

The IET awards are held to recognise and celebrate the best innovations across the breadth of science, engineering and technology which have made or have potential to make dramatic improvements to modern society. It demonstrates the power of the imagination for engineers worldwide as they tackle economic and social challenges. In 2014, over 400 entries from 22 countries were received.

- PETRONAS Sand Solutions was recognised as one of the finalists for its Open Hole Stand Alone Screen (OHSAS) model-based engineering solution, for managing sand in the production of oil and gas. This model was based on a Computational Fluid Dynamics (CFD) simulation using PETRONAS' proprietary sand erosion correlations.

JEC Europe 2014 Innovation Award

Created in 1998, one of the goals of this innovation programme is to identify, promote, and reward the most innovative composite solutions worldwide.

- PETRONAS ProAssure™ Clamp won for the Oil & Gas category.

Corporate Social Responsibility

HIGHLIGHTS

Contribution of RM77 million for the development of the Imbak Canyon Study Centre (ICSC), Sabah.

PETRONAS all about Youth

Launching of PETRONAS All About Youth (AAY) in support of youth development in Malaysia.

Contribution of RM10 million in aid for flood victims in Sabah and East Coast of Peninsular Malaysia.

PETRONAS remains committed to empowering lives wherever we operate. Our social investments began from the early years of our inception in 1975 with the PETRONAS Education Sponsorship Programme. Today, our Corporate Social Investment (CSI) programmes continue to support our mission to contribute to the well-being of the people and the nation.

As PETRONAS further expands and extends our reach to communities both at home and abroad, we strive to implement effective and sustainable CSI programmes that bring the focus back to the needs of the community. To this end, PETRONAS' social investments now support the three main areas of education; community well-being & development; and environment.

Education

PETRONAS believes in enabling and empowering individuals and communities with the right knowledge, skills and resources to take on global challenges. Our initiatives emphasise knowledge and capability development by providing better access to education and capacity building.

PETRONAS Education Sponsorship Programme

The PETRONAS Education Sponsorship Programme (PESP) provides selected students with the opportunity to pursue tertiary education at prominent local and international universities. Under the PESP, students are supported from foundational studies up to the first degree level. Aside from nurturing these students, the PESP also benefits both PETRONAS and Malaysia by aligning education with human capital development needs and contributing to an increase in skilled talents in various fields and disciplines.

Since its inception in 1975, the PESP has benefitted more than 21,000 students nationwide with an estimated investment of RM2.8 billion. In 2014, 316 SPM leavers were awarded education sponsorships under the PESP with a value of around RM100 million.

PESP as at 31 December 2014

Location	Total Number of Students
Universiti Teknologi PETRONAS	**8,866**
Local	**5,531**
Overseas	**6,857**
TOTAL	**21,254**

Program Sentuhan Ilmu Petronas

Aside from the PESP, PETRONAS also believes in uplifting the quality of education at an even more fundamental level, that is, in primary and secondary schools. Program Sentuhan Ilmu PETRONAS (PSIP) is an outreach programme targeted towards strengthening the academic foundation of underprivileged and borderline students. PSIP was developed in 2002 in support of the Government's efforts to improve the standard of English, Mathematics and Science in schools. Students benefit from weekly tuitions given by selected teachers and monthly fun learning sessions conducted by PETRONAS staff facilitators. Teachers and PETRONAS staff facilitators also benefit from modules specifically developed to prepare them for the PSIP. In the year under review, 316 students from 40 primary schools scored As in at least one subject for the 2014 UPSR examinations compared to 278 students in 2013.

Universiti Teknologi PETRONAS

Since its establishment in 1997, Universiti Teknologi PETRONAS (UTP) has grown to become one of the most prominent private universities in Malaysia. 2014 saw UTP garnering various awards and recognitions. One such recognition was for emerging as the first private university in Malaysia to receive a four QS Stars world-class rating by Quacquarelli Symonds (QS), a world varsities rating agency. This recognition is a testament to UTP's excellence in both research and teaching. The achievement included five-star ratings in five out of eight areas, namely graduates' high employability rate; international feel of the community and campus; high standards of student facilities; innovation; and accessibility of the university to students.

UTP also successfully earned a spot in the QS World University Top 200 Ranking by Subject for Chemical Engineering and was the only private university in the Malaysia to break into the QS Asian University Top 200 Ranking. Another major milestone for UTP was receiving the highest Techno Fund amounting to RM1.13 million for a single project from the Ministry of Science, Technology and Innovation (MOSTI). The Techno Fund is a grant scheme which aims to stimulate growth and successful innovation of Malaysian enterprises. The grant was awarded for UTP's research project, the Rescue-I Monitoring System. The achievement further propels UTP towards becoming a reputable research university.

Graduate Employability Enhancement Scheme PETRONAS

The *Skim Latihan* 1Malaysia Graduate Employability Enhancement Scheme (SL1M-GEES) PETRONAS is part of a broader collaboration between the Government, Government-Linked Companies (GLC) and private sector. Aimed at enhancing the employability of Malaysian graduates by equipping them with necessary skills and experience, the programme targets graduates, particularly those from underprivileged backgrounds. SL1M-GEES focuses on enhancing soft skills identified as in-demand by employers. PETRONAS is a pioneer member of this programme which now has more than 150 companies as members since its launch in July 2011. PETRONAS has been recognised as a *Syarikat Contoh* for our efforts in SL1M-GEES PETRONAS.

This enhancement programme comprises a two-month in-house training at PETRONAS Leadership Centre (PLC) and a six-month on-the-job training at various PETRONAS Operating Units (OPUs). In PLC, graduates are exposed to task-based modules such as Personal Branding, Managing Cultural Diversity and Entrepreneurship. The OPUs provide the graduates with a platform to apply the hands-on skills acquired in their classroom training within an actual working environment.

To date, PETRONAS has invested more than RM8 million to support SL1M-GEES PETRONAS. More than 50% of the programme participants have secured employment with PETRONAS and other companies post-graduation.

Vocational Institutions Sponsorship & Training Assistance

The Vocational Institutions Sponsorship & Training Assistance (VISTA) is one of the many initiatives by PETRONAS to enable local youths to create a better future for themselves. Our sponsorship is by way of providing equipment and technical items for selected institutions to run welding, building maintenance and pipe-fitting programmes as well as courses to qualify the participants as chargemen.

To date, more than 7,000 participants have benefitted from the VISTA programme. In December 2014, a collaboration was inked with the Ministry of Youth and Sports for the transformation of selected Institut Kemahiran Belia Negara (IKBN) under the umbrella of PETRONAS' VISTA programme.

Kimanis Training Centre

The Kimanis Training Center (KTC) located in Kimanis, Sabah was established in 2011 to equip and train Sabahans with technical skills to participate in the development of the Sabah-Sarawak Integrated Oil and Gas Project (SSIOGP). Graduates of the first training batch have all been successfully employed and the second batch has recently graduated in July 2014.

Akademi Laut Malaysia

Akademi Laut Malaysia (ALAM), Malaysia's premier maritime training institution since 1983, is a designated Branch Campus of the World Maritime University in Sweden. It has formal alliances with leading maritime education and training institutions in Australia, Norway, the Netherlands, Singapore and the United States of America. The standards employed in ALAM's programmes churn out trainees whose skills and competencies exceed the minimum level stipulated by the International Convention on Standards of Training Certification and Watchkeeping for Seafarers (STCW) 1978 Convention and other relevant international standards and guidelines.

ALAM was the only Malaysian company shortlisted amongst other maritime giants in the shipping industry's prestigious recognition, the Lloyds List Awards. The award received was for outstanding commitment in training ashore and at sea and for ALAM's contributions towards improving training standards across the maritime industry as a whole.

Community Well-Being & Development

Whilst we pursue our business objectives, PETRONAS also aims to fulfill our commitment to developing and improving the well-being of communities in our areas of operations. In this, we focus specifically on health; safety; the provision of sustainable livelihood opportunities; community enrichment via arts, culture or sports; and philanthropic contributions.

Kenali Anak Kita PETRONAS

In 2009, the Kenali Anak Kita PETRONAS (KAKP) programme was launched in partnership with PENGASIH, a non-Governmental organisation and self-help group affiliated with the World Federation of Therapeutic Communities. The programme raises awareness amongst parents on proper parenting methods, healthy lifestyle management and substance abuse prevention. The programme also identifies and trains community leaders to become effective change agents in society. In 2014, four forums were organised in Kedah, Kuala Lumpur, Terengganu and Sabah with more than 500 parents benefitting from the programme. Survey results showed that before attending the KAKP, 40.5% of the participating parents never or rarely highlighted the dangers of drug abuse to their children. After attending the programme, over 90% of the participating parents regarded the programme as significant and effective.

First Aider in Every Home

The First Aider in Every Home programme (FAiEH) is a collaboration between PETRONAS and the Malaysian Red Crescent (MRC) since 2012. FAiEH promotes the importance of safe and healthy living to communities and equips community members with first aid and cardio pulmonary resuscitation (CPR) skills. Through this collaboration, PETRONAS hopes to introduce HSE management practices beyond our facilities and to the community in our areas of operations. In 2014, 155 community members from Pengerang in Johor; Miri and Lawas in Sarawak; and Beaufort in Sabah attended the FAiEH training. 75% of the participants rated the programme as beneficial and useful.

Preservation of Malaysian Traditional Music, Arts and Culture

PETRONAS contributed a total of RM3 million to 19 organisations in 2014 in support of their work to preserve, nurture and promote Malaysian traditional dance and music. Some of these organisations include Kumpulan Bangsawan Sri Kedah and Persatuan Tarian Klasik India Sungai Petani in Kedah; Studio Labu Sakti in Sarawak; Romli Awang Batil in Perlis; Persatuan Penggiat Seni Budaya in Kelantan; and Persatuan Penggiat Zapin Negeri Johor.

Sentuhan Kasih PETRONAS

In 2014, a series of gatherings were held under the ambit of Sentuhan Kasih PETRONAS during the festivals of Hari Raya, Chinese New Year, Deepavali, Christmas, Hari Gawai (Sarawak) and Tadau Kaamatan (Sabah). These gatherings were held to celebrate the festivities with the poor, underprivileged, orphans, senior citizens, single mothers and special needs children. In the year under review, 6,723 families benefitted from the programme which now also includes more sustainable initiatives such as skills training. A total of 321 staff volunteers were involved in the *gotong royong* and fun learning activities for the beneficiaries.

Flood Relief Efforts

In 2014, PETRONAS pledged a total contribution of RM10 million to ease the burden of thousands of families affected by massive floods in Sabah and the East Coast region of Peninsular Malaysia. The Sabah State Government received RM5 million to support their flood relief efforts in the state. PETRONAS also contributed RM5 million in basic necessities including daily rations, clothes and blankets to the 21,500 flood victims in the East Coast.

Contribution of RM3 million to 19 organisations in support of their efforts to preserve, nurture and promote Malaysian traditional arts and culture.

All About Youth

Malaysia's Education Blueprint 2013-2025 now calls for the school curriculum to include non-academic development both during formal class time and after-school co-curricular activities. The blueprint hopes to elevate leadership skills; thinking skills; ethics and spirituality; and national identity amongst students.

In support of this, PETRONAS launched the All About Youth (AAY) programme in 2014. This youth development programme aims to enhance the personal character of youths beyond the classroom. A series of workshops involving 1,200 Form 4 students from 60 schools in Terengganu, Sabah and Sarawak were held in the year in review. Each school was provided with a RM2,000 grant to kick-start community-based projects that would benefit the surrounding communities and the environment. Six state-level judging sessions were held in selected regions followed by a Grand Finale in Kuala Lumpur. The three winning schools with the most effective and sustainable projects were SMK Tengku Intan Zaharah in Terengganu, SMK Lopeng Tengah and SMK Tatau, both located in Sarawak.

Improving the Quality of Healthcare

In line with our focus on community well-being and development, PETRONAS has been supporting the Cancer Research Initiatives Foundation (CARIF) since its inception in 2000. Our contributions have helped to advance the progress of cancer treatment and prevention efforts in Malaysia and in Asia. In the year under review, PETRONAS contributed RM1 million towards CARIF to support its work in the fight against cancer in Malaysia.

Environment

PETRONAS believes that the protection and preservation of the natural environment is important for current and future generations. This conviction is translated into our support of environmental conservation efforts.

Imbak Canyon Conservation Area

In June 2011, PETRONAS launched a partnership with Yayasan Sabah to conserve the Imbak Canyon Conservation Area (ICCA) at a value of RM6 million. In 2014, PETRONAS pledged an additional RM77 million for the development of the Imbak Canyon Study Centre (ICSC). Targeted to complete in 2016, the ICSC will be a centre of learning in biodiversity conservation and the sustainable use of natural resources for the indigenous community. It will also be a gene bank for the conservation and exploration of pharmaceutical and biotechnological potentials. In the year under review, environmental awareness and education activities, community outreach programmes and research efforts were carried out in Imbak Canyon. Capacity building efforts such as train-the-trainer programmes and sustainable development camps were also conducted to equip rangers, Yayasan Sabah staff and community leaders with the necessary knowledge and skills to conserve and protect wildlife in the area. Also in 2014, four books were published to further promote public awareness of the ICCA.

BEACON Project

The BEACON project is a biodiversity and environmental conservation initiative undertaken by Malaysia LNG Group of Companies (MLNG), a member of the PETRONAS Group, in collaboration with Sarawak Forestry Corporation Sdn Bhd (SFCSB). Since 2013, some 1,500 artificial reef balls have been deployed off the coast of Similajau National Park in Bintulu, Sarawak at a cost of RM4.6 million. A haven for sea life, these reef balls create a rich fishing ground for the local fishing community whilst providing protection for the shoreline. The Conservation, Education, Promotion and Awareness programmes (CEPA) under the BEACON project are carried out to conserve endangered marine life through education and promotion of public awareness especially among the younger generation. The CEPA programmes are fully funded by MLNG.

For the year under review, 500 units of reef balls were deployed with assistance from trained MLNG staff. The project team also organised an environment outreach camp (BEACON Friends of Nature) involving some 50 students from Bintulu to create awareness on conservation of wildlife, marine life and their natural habitats amongst the young.

Piasau Nature Reserve

PETRONAS contributed RM5 million towards the development of the Piasau Nature Reserve in Sarawak. This 88.5-hectare nature reserve will serve as a nesting ground for the Oriental Pied Hornbill and a green lung with recreational, scientific and educational values for the public. The reserve will also provide environmental balance to the fast paced development of Miri City. A collaboration between the Sarawak Government, PETRONAS and Shell, the Piasau Nature Reserve was gazetted on 3 April 2014.

ecoBako

Since 2011, PETRONAS' collaboration with the Sarawak Forest Department for the ecoBako Wetland Conservation programme has seen the re-planting of 3,000 mangrove trees on a five-acre plot at the Kuching Wetland National Park (KWNP). The ecoBako programme focuses on mangrove conservation within the 6,610-hectare wetland area. During the year under review, various educational talks, games and exhibitions were held on wetland conservation and mangrove rehabilitation. The main highlight was the mangrove tree planting which brought together over 30 staff and volunteers from PETRONAS, the Sarawak Department of Environment and various nearby schools.

Recognising Excellence & Contribution – Six Outstanding Individuals Receive 2014 Merdeka Award

The year 2014 marks the Merdeka Award's seventh year of recognising outstanding individuals and organisations that have made significant achievements and sustainable contributions to Malaysians and the nation.

This year, six distinguished individuals received the Merdeka Award from the Royal Patron of the Merdeka Award Trust, His Royal Highness (HRH) the Sultan of Perak Darul Ridzuan, Sultan Nazrin Muizzuddin Shah ibni Almarhum Sultan Azlan Muhibbuddin Shah Al-Maghfur-Lah.

The 2014 Merdeka Award recipients in the respective categories are:

- **Education and Community:**
  DATUK MOHD NOR KHALID (LAT)
  For outstanding contribution to the promotion and pluralism of Malaysia's cultural identity through the use of cartoons and for the promotion of understanding and respect among Malaysia's diverse ethnic communities.

- **Environment:**
  MOHD KHAN MOMIN KHAN
  For outstanding contribution to wildlife research and conservation through the setting up of captive breeding centres as well as for pioneering and successfully managing the human-wildlife conflict in affected areas.

- **Health, Science and Technology:**
  DATUK DR CHOO YUEN MAY
  For outstanding contribution to the development of novel, efficient and green processes for the palm-based industry through research and commercialisation of various technologies.

- **Outstanding Scholastic Achievement:**
  PROFESSOR DR ABDUL LATIF AHMAD (Joint Recipient)
  For outstanding contribution to the scholarly research and development of technologies in the areas of polymer science, wastewater treatment and membrane separation technology.

- **Outstanding Scholastic Achievement:**
  PROFESSOR DR AHMAD FAUZI ISMAIL (Joint Recipient)
  For outstanding contribution to scholarly research and development of technologies for commercialisation in membrane performance for both gas separation, and water and wastewater treatment.

- **Outstanding Contribution to the People of Malaysia:**
  DATO SRI GATHORNE, EARL OF CRANBROOK
  For outstanding contribution in pioneering research and conservation of Malaysia's forest biodiversity and the ecology and biology of Malaysian mammals and birds, and for advocating environmental conservation.

Since it was jointly established by PETRONAS, ExxonMobil and Shell in 2007, 28 individuals and two organisations have received the Merdeka Award. Each recipient receives the Merdeka Award Trophy, the Merdeka Award Work of Art designed by renowned Malaysian artist Latiff Mohidin, a Certificate of Recognition and a cash award of RM500,000. Joint recipients equally share the cash award.

Merdeka Award Signature Outreach Programmes

While the Award is in its nascent years, it aims to become a focal point for Malaysians to come together to reflect and be inspired to make a difference.

The Merdeka Award runs two signature outreach programmes – the Merdeka Award Roundtables, and the Merdeka Award Grant for International Attachment – to create greater public awareness of the Award and to build its presence as an important and integral part of Malaysian life.

Merdeka Award Roundtables

The Merdeka Award Roundtables is a series of TV talk-shows designed to inspire debate and discussion on key issues of interest to Malaysians. First launched in August 2011, the Roundtables feature leading figures from Malaysia's corporate, academic and social spheres, coming together to discuss issues critical to the future of the nation. The discussion and debate of the topics through the Merdeka Award Roundtables bring to life the true *Spirit of Merdeka* – that of the liberation of mind and spirit, and the pursuit of excellence. This in turn creates opportunities for Malaysians to think about how they too can play a role in the development of our country.

The 8th Merdeka Award Roundtable, which was broadcasted in partnership with Astro AWANI in December 2014, addressed the topic: "Emerging Leaders: How Will the Next Generation of Malaysians Shape the Nation?" Panellists included young Malaysian leaders who represent various perspectives.

Merdeka Award Grant for International Attachment

The Merdeka Award Grant for International Attachment is a short-term grant designed for qualified Malaysians between the ages of 22-35 to engage in collaborative projects and programmes at selected, internationally-recognised host institutions. The Grant, launched in 2012, creates the opportunity for recipients to establish contact and working relationships with other experts in their fields, share knowledge and expertise, and upon their return, use these relationships and shared knowledge to further build on the body of work in his or her area of research.

Two Grants are offered annually to successful candidates in select disciplines – Education and Community; Environment; as well as Health, Science and Technology, mirroring the categories in which the Merdeka Award itself is accorded. The broad categories include areas such as visual and performing arts, heritage and social work, sports; traditional disciplines like economics and finance, scientific disciplines, and areas related to the environment such as climate change, biodiversity and the protection and conservation of the natural environment.

These categories have been carefully selected because of the importance of these disciplines to the progress of the country. The Attachment is made possible and facilitated through the global network and reach of the Merdeka Award founding partners – PETRONAS, ExxonMobil and Shell.

Two young scientists, Dr Kamalan Jeevaratnam, 33, from Perdana University-Royal College of Surgeons Ireland based in Kuala Lumpur, and Dr Lim Hong Ngee, 35, from Universiti Putra Malaysia (UPM), were awarded the 2014 Merdeka Award Grant for International Attachment. They will both have the opportunity to undergo an attachment of up to three months at an internationally-recognised institution in 2015 to pursue their research on cardiac cellular therapy using stem cells and nanotechnology-based breast cancer testing scheme respectively.

PETRONAS' International CSR Programmes

As we grow globally, we recognise a responsibility to contribute to the well-being of communities wherever we operate. We focus on sustainable social investments that empower people, equipping them and providing them with opportunities to contribute both to the development of their local communities and the growth of their nations.

With an emphasis on healthcare, education, infrastructure and the environment, these initiatives have helped strengthen our relationships, build trust and create environments where business and people can achieve their aspirations for a better tomorrow.

Capability building is one of the most impactful social investments that we make as a business. In 2014, PETRONAS sponsored 40 students from countries where we operate to further their tertiary education at Universiti Teknologi PETRONAS (UTP) in a range of degrees from Engineering to Information Technology. Other initiatives across our international operations include:

Indonesia

PETRONAS' collaboration with Balai Latihan Kerja (BLK) of the East Java Province, Indonesia provides entrepreneurship training for underprivileged students from fishing communities in our area of operations.

Part of a long-term sustainable Corporate Social Investment programme, the "Ksatria" programme provided 10 selected students with training in mobile phone repairs and mechanical skills for boat maintenance in 2014. Through this programme, PETRONAS successfully developed closer relationships with SKK Migas, local authorities and the community.

Iraq

PETRONAS has made significant contributions for educational improvements in the Garraf Contract Area (GCA).

The Garraf Vocational Training Centre (GVTC) was established to train local men and women in various basic soft and technical skills in order to increase their chance of employment. In 2014, 281 graduates have benefitted from the various courses offered, including Electrical Wiring and Maintenance; Refrigeration and Air-Conditioning

Maintenance; Sewing; Hairstyling and Beauty Care; Basic English; and Information Technology.

PETRONAS has also contributed towards infrastructure improvements at seven schools, providing a more conducive learning environment for students. Selected schools benefitted from additional classrooms, refurbished restrooms and improved water systems.

The al-Dehla and al-Ibrahim villages in Garraf were also recipients of reverse osmosis water stations, contributed by PETRONAS. Each unit has the capacity to distribute 10,000 litres of water a day and is the first such facility in these villages. As a result, approximately 27,000 people in 28 villages received free water deliveries twice a week in 2014.

In 2014, PETRONAS received an award for the Best Corporate Social Responsibility Award (CSR) Initiative at the Abu Dhabi International Petroleum Exhibition and Conference (ADIPEC) 2014 Gala Awards Dinner. This award acknowledges PETRONAS' impactful contributions towards promoting sustainable quality of life for the communities in Garraf.

Republic of South Sudan

PETRONAS undertook a Facility Improvement Programme for Atlabara Primary School, located in Atlabara East, Juba, Central Equatorial State. The programme included refurbishment and restoration work for two blocks of classrooms, construction of a new teachers' room, a multipurpose court, a restroom equipped with a water tank, and supply of new furniture and electrical fittings for all buildings. The programme not only improved the general learning environment, but also increased the school's capacity to around 300 students.

PETRONAS also continued its efforts to build South Sudanese talent in the oil and gas industry through educational sponsorship, training, knowledge sharing and on-job training programmes. A key initiative enabled staff from the Ministry of Petroleum and Mining, Nile Petroleum Corporation (NILEPET) and South Sudanese staff from our Joint Operating Companies to take part in a series of Upstream Petroleum Training Programmes, which were organised and taught by PETRONAS' in-house trainers.

Turkmenistan

School #12 in Turkmenbashy city, Turkmenistan benefitted from a new school roof measuring 3,000 square metres contributed by PETRONAS. This contribution amounting to slightly more than USD100,000 provides a more comfortable learning environment for about 780 students.

PETRONAS also supported both the Deaf and Blind People Society and the Boarding School for Mentally Challenged Children in Turkmenbashy. In this initiative, PETRONAS purchased wadded pillows, wadded blankets, bed sheet sets and sleeved t-shirts from the Deaf and Blind People Society. The purchases amounting to an estimated USD16,000 were then donated to benefit 154 children in the Boarding School for Mentally Challenged Children.

PETRONAS also continued its contributions to Yenme, a public organisation that provides health support and rehabilitation for children with mental and physical disabilities.

Myanmar

Education is one of the key areas for Corporate Social Investment in Myanmar. PETRONAS sponsored eight outstanding students from Kanbauk to further their studies at a boarding school in Yangon. PETRONAS also contributed construction materials and a selection of books to build eight libraries in eight villages in the Kanbauk and Dawei areas. The libraries are now managed by the village management committees, benefitting more than 6,500 people from the eight villages.

PETRONAS also collaborated with the University of Dental Medicine, Yangon to create dental health care and oral hygiene awareness for 1,195 community members in five villages along the Yetagun Pipeline area, during which more than 1,195 people received dental care.

As part of its annual reforestation campaign, PETRONAS planted 4,875 evergreen trees at the Hlawgar Park, Yangon in collaboration with the Yangon City Development Committee. The reforestation project covers an area of five acres and aims to improve water levels at the Hlawgar Lake, located in the Hlawgar Park, which serves as the main source of water for Yangon City's population of seven million people.

Main Events

Corporate

January
PETRONAS & Imperial College London to Propel Research to the Next Level

PETRONAS Research Sdn Bhd (PRSB) signed an agreement with Imperial College London to further realise the potential for a significant volume of collaborative research and knowledge transfer activities. The ceremony was held in Imperial College London.

March
PETRONAS Signs Global Frame Agreements for Induction Motors

PETRONAS signed new Global Frame Agreements (GFA) with world-leading Induction Motors' Original Equipment Manufacturers (OEM): Brook Crompton UK Limited, ABB Asea Brown Boveri Ltd and Siemens AG on 24 March 2014 in Kuala Lumpur.

April
PETRONAS Contributes RM5 Million to Sabah State Disaster Relief Fund

PETRONAS contributed RM5 million to the Sabah State Disaster Fund to assist in relief efforts carried out by the State Disaster Relief and Management Committee.

May

UTP Sets Up HUAWEI Lab

Universiti Teknologi PETRONAS (UTP) has established key partnerships in training and development with Huawei and Multimedia Development Corporation (MDeC) through the setting up of the Huawei University Teaching Laboratory (HUTL) at UTP.

May

PP(M)SB Clinches International Safety Award Again

PETRONAS Penapisan (Melaka) Sdn Bhd (PP(M)SB) was awarded a Distinction in the British Safety Council 56th International Safety Awards 2014 -- a notch higher than the Merit Award which was received in both 2012 and 2013.

July

Yayasan Sabah, PETRONAS Launch RM77 Million Imbak Canyon Studies Centre

Yayasan Sabah and PETRONAS launched the development of the Imbak Canyon Studies Centre (ICSC) located near Imbak Canyon Conservation Area (ICCA) in Ulu Kinabatangan, Sabah.

August

PETRONAS Wins Asia's Best Employer Brand Awards

PETRONAS won the fifth Asia’s Best Employer Brand Awards 2014 at the Pan Pacific Hotel, Singapore cementing our position as one of the most reputable employers in the industry and region.

October
MOE Awards HICoE Status to UTP CISIR
Universiti Teknologi PETRONAS (UTP) Centre of Excellence (COE), Centre for Intelligent Signal and Imaging Research (CISIR) was awarded the National Higher Institution Centre of Excellence (HICoE) Status by the Ministry of Education (MOE). This is for its focus on biomedical image analysis with neuro chemical imaging.

November
Best CSR Award for ADIPEC 2014
PETRONAS received the Best Corporate Social Responsibility (CSR) Award for its activities and contributions in Garraf, Iraq during the Abu Dhabi International Petroleum Exhibition and Conference (ADIPEC) 2014 Gala Awards Dinner on 10 November 2014 at the Emirates Palace Hotel in Abu Dhabi, UAE.

November
PETRONAS Sponsors Vessel and Sonar Equipment for the Search for MH370
On 22 October 2014, a historic milestone was notched for Malaysia and PETRONAS as Dato' Seri Hishammuddin Tun Hussein, Minister of Defence officiated the GO Phoenix vessel and Pro Synthetic Aperture Sonar (ProSAS) funded by PETRONAS for the next phase of the underwater search operations for MH370.

November
PETRONAS – The Winning Formula at the 2014 Abu Dhabi Grand Prix
The MERCEDES AMG PETRONAS Formula One Team once again secured the top podium at the 2014 Formula One Abu Dhabi Grand Prix.

December

UTP Achieves World Class Rating

Universiti Teknologi PETRONAS (UTP) emerged as the first private university in the country to receive a four star rating by the world varsities rating agency, Quacquarelli Symonds (QS).

December

INSTEP Wins Minister of Human Resources Award 2014

Institut Teknologi Petroleum PETRONAS (INSTEP) was bestowed the prestigious Minister of Human Resources Award under the Training Provider category by Pembangunan Sumber Manusia Berhad (PSMB) under the Ministry of Human Resources.

December

PETRONAS Groupwide Flood Donation Drive

PETRONAS contributed a total of RM5 million in aid and services to flood victims in the East Coast of Peninsular Malaysia.

Upstream

March

PETRONAS Signs New LNG Supply Agreements

PETRONAS' subsidiaries Malaysia LNG Sdn Bhd (MLNG) and PETRONAS LNG Limited (PLL) signed two contracts to supply CPC Corporation of Taiwan with a total of up to 2.6 million tonnes per year (mtpa) of liquefied natural gas (LNG), for a period of six years.

March

PETRONAS Signs MOC with Turkish Petroleum Corporation

The objective of the Memorandum of Cooperation (MOC) is to enhance cooperation in upstream oil and gas projects in Turkey and other areas. PETRONAS and Türkiye Petrolleri Anonim Ortakliği are currently partners in the Badra Field service contract in Iraq.

March
PETRONAS Enters China Unconventional Energy Market
On 20 March 2014, PETRONAS and HESS signed a farm-in agreement for the Santanghu Basin and a joint-study bidding agreement for the Junggar and Sichuan Basin respectively, with PETRONAS holding a 30% equity in both agreements. Both the Junggar and Sichuan basins were identified as prolific acreages for unconventional due to its sizeable resource potential.

April
PETRONAS Launches Floating LNG Facility
PETRONAS launched the hull of its floating liquefied natural gas (LNG) facility at the Daewoo Shipbuilding & Marine Engineering (DSME) shipyard in Okpo, South Korea. The facility is scheduled to be completed in Quarter 4 of 2015.

May
PETRONAS Purchases Stake in Shah Deniz (Azerbaijan) Gas Project
PETRONAS signed an agreement with Statoil for the acquisition of 15.5 percent stake in Shah Deniz field in Azerbaijan.

May
First Entitlement Crude Lifting at Majnoon
PETRONAS Carigali Iraq Holding BV (PCIHBV) achieved another significant milestone by successfully lifting and marketing Majnoon's First Entitlement Crude in May 2014, marking PCIHBV's first revenue for the Majnoon Project.

June
PETRONAS Acquires Interest in Block 48 Offshore Suriname
PETRONAS acquired a 50% participating interest in Block 48 Offshore Suriname from Murphy Suriname Company.

July

Sinopec-Huadian JV: Fourth Partner in the Integrated Canada LNG project

PETRONAS and its subsidiaries Progress Energy Canada Ltd and Pacific NorthWest LNG Ltd signed transaction agreements with SINOPEC and China Huadian for a 15% interest in Progress Energy's LNG-destined gas reserves in northeast British Columbia and in Pacific NorthWest's proposed LNG export facility on Canada's West Coast.

July

First Oil Production of Anjung Kecil (AJK) Field

PETRONAS Carigali Sdn Bhd (PCSB) achieved first oil production from Anjung Kecil (AJK) Field.

August

Commissioning Cargo Delivery to New Hibiki LNG Receiving Terminal in Japan

On 31 July 2014, PETRONAS marked yet another significant milestone through the delivery of the commissioning cargo to the new Hibiki LNG Receiving Terminal in Kitakyushu, Japan.

August

PETRONAS Signs Production Sharing Contract with Republic of Gabon

PETRONAS ventured into Gabon with a focus on deepwater pre-salt plays. PETRONAS signed the Block F14 Production Sharing Contract (PSC), a deepwater block offshore Gabon, on 8 August 2014 at a ceremony in Libreville.

September

PETRONAS Signs Contracts for Two Onshore Blocks in Myanmar

PETRONAS Carigali Myanmar Incorporated (PCMI) signed two contracts with Myanmar's Ministry of Energy (MOE) for two onshore oil and gas blocks.

September

PETRONAS Extends Growth Aspirations in the Americas with Signing of Two MOUs

PETRONAS signed agreements with the national oil company of Mexico, Petróleos Mexicanos and with the national oil company of Argentina, Yacimientos Petroliferos Fiscales, extending its aspirations for growth in the Americas.

October

First Gas Achievement for Yetagun North Project, Myanmar

The Yetagun North Development Project (YNDP) achieved first gas production on 7 October 2014.

November

Signing of an LNG Heads of Agreement between PETRONAS LNG and Keppel Gas

Keppel Gas Pte Ltd entered into a Heads of Agreement (HOA) with PETRONAS LNG Ltd to purchase up to 1 million tonnes of LNG per year, over 10 years.

November

PETRONAS Celebrates First Crude Loading and Export from SOGT

PETRONAS Carigali Sdn Bhd (PCSB) proudly celebrated the first Crude Loading and Export from the Sabah Oil and Gas Terminal (SOGT) on 15 November 2014. The successful lifting marks the start of monetisation of crude oil resources discovered off Sabah deepwater and also signifies the completion of a journey which started in 2006, when the project was first conceptualised.

December

PETRONAS Signs Agreements with Four Technology Partners

PETRONAS signed agreements with four technology partners to collaborate on new technologies to commercially develop high carbon dioxide (CO2) concentration gas fields.

December

PETRONAS Signs Argentina Shale Deal

YPF SA and Petroliam Nasional Bhd., Argentina and Malaysia's state-owned energy companies, respectively, signed a up to drill at the world's fourth-largest shale oil deposit in Patagonia's Vaca Muerta. The Petronas-YPF area is called La Amarga Chica.

Downstream

March
GFA for Gas Turbines
A General Framework Agreement (GFA) was signed with General Electric International Inc for gas turbine packages, one of several category management agreements signed in 2014.

March
PETRONAS Signs Agreement with Clariant
A commercialisation agreement was signed with international specialty chemical company Clariant to bring HycaPure™ Hg, the world's first ionic liquid mercury adsorbent, to global markets.

April
Garraf Project Sees Completion
The Garraf Light Oil Transportation System (GLOTS) project in Iraq achieved mechanical completion, paving the way for flow of oil from Badra through the GLOTS pipeline into the Iraqi Strategic Pipeline.

April
Groundbreaking of BASF-PETRONAS Chemicals Aroma Complex
The Prime Minister of Malaysia Datuk Seri Mohd Najib Bin Tun Hj Abdul Razak officiated the groundbreaking ceremony for PETRONAS' joint-venture company BASF-PETRONAS Chemicals Sdn Bhd Aroma Complex, the first of its kind to produce aroma chemicals in Malaysia, in Gebeng, Pahang. The RM1.5 billion complex will produce citral and its precursors as well as citronellol and L-menthol and will come on-stream in 2016.

May
PETRONAS Unveils New PRIMAX 95 with Advanced Energy Formula
PETRONAS Dagangan Berhad (PDB) launched the new PETRONAS PRIMAX 95 with Advanced Energy Formula to deliver superior fuel efficiency for greater mileage.

June

PETRONAS Inks Contract for Pengerang Cogeneration Power Project

Pengerang Power Sdn Bhd, a subsidiary of PETRONAS Power Sdn Bhd, inked the Engineering, Procurement, Construction and Commissioning (EPCC) contract and Long Term Service Agreement (LTSA) with the Consortium of Siemens AG, Siemens Malaysia Sdn Bhd and MMC Engineering Services Sdn Bhd for the Pengerang Cogeneration Plant (PCP) project located in Pengerang, Johor.

July

SKG 16 Programme Receives IChemE ACTS Accreditation

Skill Group 16, the Process/Operations Skill Group under PETRONAS' Technical Capability Development Programme (TCDP), received the Institution of Chemical Engineers (IChemE) Accredited Company Training Scheme (ACTS) benchmark, making PETRONAS the first Malaysian company to gain this distinction.

August

Contract Award Ceremony for PIC

PETRONAS awarded several major contracts for the development of the Pengerang Integrated Complex (PIC) to key contractors at a ceremony in Mandarin Oriental Hotel, Kuala Lumpur.

November

Fluid Technology Solutions Helps Clinch F1 Championship

2014 marked a significant year for PETRONAS as the Title Sponsor and Technology Partner to the MERCEDES-AMG-PETRONAS Formula One Team when we clinched the 2014 F1 World Constructor's Championship as well as the Driver's Championship.

November

Groundbreaking for Pengerang Cogeneration Plant (PCP)

PETRONAS kicked off the development of its Pengerang Cogeneration Plant, one of the key ancillary facilities at the site of the PIC. The plant is expected to supply 1,220 MW of electricity and 1480 tph of steam for the plants within PIC. The project was awarded to a consortium of Siemens AG, Siemens Malaysia and MMC Engineering Sdn Bhd.

November

Commissioning of Kimanis Power Plant

PETRONAS Gas Berhad's (PGB) joint-venture with Yayasan Sabah, the Kimanis Power Sdn Bhd successfully commissioned its 300 MW Kimanis Power Plant, located in Kimanis, Sabah, a project established as part of the 'Power Up Sabah' masterplan under Malaysia's Economic Transformation Plan (ETP).

November

PDB Bags Two Gold Class I Awards at Malaysian Society for Occupational Safety & Health (MSOSH) Awards 2014

On 4 November 2014, PETRONAS Dagangan Berhad (PDB) bagged two Gold Class I Awards at the Malaysian Society for Occupational Safety & Health (MSOSH) Awards 2014. The award recognises companies, from various sectors, that have performed exceptionally well in occupational safety and health aspects.

November

PETRONAS Acquires Entire Equity in Malaysian Refining Company

PETRONAS acquired Phillips 66 Asia Ltd's 47% stake in the Malaysian Refining Company, making it a fully-owned subsidiary of the PETRONAS Group. Malaysian Refining Company operates the PSR-2 refinery complex in Melaka, with a capacity of 180,000 barrels of crude oil per day.

December

The International Event "Il caschi d'Oro" (Golden Helmets) Award for F1 Lubricant Technology

PLI was awarded a Golden Helmet for "Special Technological Contribution" - a recognition of its success as the fuels and lubricants technology partner to the MERCEDES-AMG-PETRONAS Formula One Team at the International Event "I caschi d'Oro" (Golden Helmets), Organised every year by Italy's most authoritative motorsport magazine, Autosprint to celebrate the most successful names in motor racing.

December

PETRONAS Signs Shareholder Agreement for SPV2

PETRONAS, Royal Vopak (VOPAK) and Dialog Group Berhad (Dialog) signed the Shareholders Agreement (SHA) to jointly develop an industrial terminal for PETRONAS' Pengerang Integrated Complex (PIC). The terminal will have a storage capacity up to 2.1 million cubic meters (cbm) for crude, refined products, petrochemical products and Liquefied Petroleum Gas (LPG). The terminal will also have a deep water jetty facility capable of handling Very Large Crude Carriers and berths for unloading and reloading of Liquefied Natural Gas (LNG) vessels up to QMax-sized containers.

December

REMCOAT™ is Commercialised

PETRONAS inked an agreement with Wasco Coatings (M) Sdn Bhd, licensing the latter to manufacture and market REMCOAT™, PETRONAS' proprietary three-layer pipeline coating system that protects oil and gas pipelines against corrosion.

December

PETRONAS Sand Solutions Highly Commended in IET Innovation Awards 2014

PETRONAS was recognised by the Institute of Engineering and Technology (IET), UK at the IET Innovation Awards Competition 2014 for our model-based engineering solution to manage sand in the production of oil and gas.

December

PGB Wins MSWG-ASEAN Corporate Governance Index 2014 Award for Oil and Gas Sector

PETRONAS Gas Berhad (PGB) was awarded the MSWG – ASEAN Corporate Governance Index 2014 Award under the Industry Excellence Category for the oil and gas sector.

Glossary

Industry terms as generally understood

A

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

B

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

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

Base Oil
An oil to which other oils or additives are added to produce a lubricant. This includes Group III base oil that has been subjected to the highest level of refining of the base oil groups, offering very high viscosity index to produce premium quality lubricants.

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

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

C

CO_2
Carbon dioxide, one of the primary greenhouse gases.

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

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

D

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

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

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

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

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

E

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)
Profit before taxation with the addition of amounts previously deducted for depreciation, amortisation and impairment loss on property, plant and equipment and intangible assets and financing costs and the exclusion of interest income.

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

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

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

F

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

Field
A geographical area overlying a hydrocarbon reservoir.

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

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

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

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

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

G

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

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

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

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

H

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

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

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

I

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

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

Improved Oil Recovery (IOR)
Improved Oil Recovery that is commonly used to describe any process, or combination of processes, that may be applied to economically increase the cumulative volume of oil that is ultimately recovered from the reservoir at an accelerated rate. IOR may include chemical, mechanical, physical, or procedural processes.

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

J

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

L

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

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

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

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

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

M

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

Million Metric Standard Cubic Feet per Day (mmscfd)
It is a unit of measurement for natural gas. Liquefied Petroleum Gas (LPG), compressed natural gas and other gases that extracted, processed or transported in high quantities.

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

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

N

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

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

O

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

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

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

P

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

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

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

Profit After Taxation
Expressed as a percentage of average of total equity and long term debt during the period.

R

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

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

Renewable Energy
Energy derived from natural sources that are replaceable.

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

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

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

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

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

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

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

S

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

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

T

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

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

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

U

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

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

W

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

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Financial Statements

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Company in the course of the financial year remained unchanged and consist of exploitation of oil and gas, the marketing of petroleum and petroleum products and investment holding. The principal activities of key subsidiaries, associates and joint ventures are stated in note 46, note 47 and note 48 to the financial statements respectively.

RESULTS

In RM Mil	**Group**	**Company**
Profit for the year	47,613	54,033
Attributable to:		
Shareholders of the Company	37,038	54,033
Non-controlling interests	10,575	-

DIVIDENDS

During the financial year, the Company paid:

(i) a tax exempt interim dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM50,000 per ordinary share amounting to RM5 billion in respect of the financial year ended 31 December 2013.

(ii) a dividend of RM22 billion out of the approved tax exempt final dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM220,000 per ordinary share amounting to RM22 billion in respect of the financial year ended 31 December 2013.

(iii) 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 year ended 31 December 2014.

Subsequent to the end of the current financial year, the Company declared a second tax exempt interim dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM40,000 per ordinary share amounting to RM4 billion in respect of the financial year ended 31 December 2014, of which RM2 billion was paid on 11 February 2015. The remaining of RM2 billion will be paid on 31 March 2015. The dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2015.

The Directors propose a tax exempt final dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM220,000 per ordinary share amounting to RM22 billion in respect of the financial year ended 31 December 2014 for shareholders' approval at the forthcoming Annual General Meeting.

The financial statements for the current financial year do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2015.

RESERVES AND PROVISIONS

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

DIRECTORS OF THE COMPANY

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

Tan Sri Mohd Sidek bin Hassan (Chairman)
Tan Sri Dato' Seri Shamsul Azhar bin Abbas
Datuk Wan Zulkiflee bin Wan Ariffin
Datuk Mohd Omar bin Mustapha
Tan Sri Dato' Seri Hj Megat Najmuddin bin Datuk Seri Dr. Hj Megat Khas
Datuk Muhammad bin Ibrahim
Dato' Mohamad Idris bin Mansor
Datin Yap Siew Bee
Krishnan C K Menon
Dato' Wee Yiaw Hin @ Ong Yiaw Hin
Tan Sri Amirsham bin Abdul Aziz
Tan Sri Dr. Mohd Irwan Serigar bin Abdullah
Dato' Siti Halimah binti Ismail (alternate to Tan Sri Dr. Mohd Irwan Serigar bin Abdullah)
Datuk Anuar bin Ahmad (resigned on 16 April 2014)
Datuk Manharlal Ratilal (resigned on 15 May 2014)

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each in PETRONAS Gas Berhad			
Name	**Balance at 1.1.2014**	**Bought**	**Sold**	**Balance at 31.12.2014**
Datin Yap Siew Bee	7,000	-	-	7,000
Tan Sri Amirsham bin Abdul Aziz:				
- others	2,000	-	-	2,000

	Number of ordinary shares of RM1.00 each in PETRONAS Dagangan Berhad			
Name	**Balance at 1.1.2014**	**Bought**	**Sold**	**Balance at 31.12.2014**
Tan Sri Amirsham bin Abdul Aziz:				
- others	2,000	-	-	2,000

DIRECTORS' INTERESTS (continued)

Name	Number of ordinary shares of RM0.10 each in PETRONAS Chemicals Group Berhad			
	Balance at 1.1.2014	Bought	Sold	Balance at 31.12.2014
Tan Sri Dato' Seri Shamsul Azhar bin Abbas	20,000	-	-	20,000
Datuk Wan Zulkiflee bin Wan Ariffin	20,000	-	-	20,000
Datuk Mohd Omar bin Mustapha	10,000	-	-	10,000
Tan Sri Dato' Seri Hj Megat Najmuddin bin Datuk Seri Dr. Hj Megat Khas	20,000	-	-	20,000
Datuk Muhammad bin Ibrahim	20,000	-	-	20,000
Dato' Mohamad Idris bin Mansor	10,000	-	-	10,000
Datin Yap Siew Bee	20,000	-	-	20,000
Krishnan C K Menon	20,000	-	-	20,000
Dato' Wee Yiaw Hin	20,000	-	-	20,000

Name	Number of ordinary shares of RM1.00 each in MISC Berhad			
	Balance at 1.1.2014	Bought	Sold	Balance at 31.12.2014
Tan Sri Amirsham bin Abdul Aziz:				
- own	11,600	-	-	11,600
- others	4,000	-	-	4,000

Name	Number of ordinary shares of RM0.50 each in Malaysia Marine and Heavy Engineering Holdings Berhad			
	Balance at 1.1.2014	Bought	Sold	Balance at 31.12.2014
Datuk Wan Zulkiflee bin Wan Ariffin	10,000	-	-	10,000
Tan Sri Amirsham bin Abdul Aziz:				
- own	6,000	-	-	6,000
- others	6,000	-	-	6,000

None of the other Directors holding office at 31 December 2014 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

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

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

ISSUE OF SHARES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

OTHER STATUTORY INFORMATION (continued)

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2014 have not been substantially affected by any item, transaction or event of a material and unusual nature other than impairment losses on certain property, plant and equipment as disclosed in note 27 to the financial statements, 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, have indicated their willingness to accept re-appointment.

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

Tan Sri Mohd Sidek bin Hassan

Tan Sri Dato' Seri Shamsul Azhar bin Abbas

Kuala Lumpur,
Date: 26 February 2015

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 125 to 241, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2014 and of their financial performance and cash flows for the year ended on that date.

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

....
Tan Sri Mohd Sidek bin Hassan

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

Kuala Lumpur,
Date: 26 February 2015

STATUTORY DECLARATION

I, **Datuk Manharlal Ratilal**, the officer primarily responsible for the financial management of **PETROLIAM NASIONAL BERHAD**, do solemnly and sincerely declare that the financial statements set out on pages 125 to 241 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
Datuk Manharlal Ratilal at **Kuala Lumpur** in
Wilayah Persekutuan on 26 February 2015.

BEFORE ME:

COMMISSIONER FOR OATHS
No. W 530
TAN SEOK KETT
MALAYSIA

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

In RM Mil	Note	2014	2013
ASSETS			
Property, plant and equipment	3	261,286	243,537
Investment properties	4	10,539	10,674
Land held for development	5	1,792	1,907
Prepaid lease payments	6	1,037	1,017
Investments in associates	8	3,207	3,768
Investments in joint ventures	9	9,259	8,307
Intangible assets	10	30,127	34,364
Long term receivables	11	12,663	10,677
Fund and other investments	12	7,734	9,252
Deferred tax assets	14	7,825	6,611
TOTAL NON-CURRENT ASSETS		345,469	330,114
Trade and other inventories	16	13,431	16,107
Trade and other receivables	17	47,838	50,425
Assets classified as held for sale	18	2,288	362
Fund and other investments	12	11,635	14,534
Cash and cash equivalents	15	116,826	117,118
TOTAL CURRENT ASSETS		192,018	198,546
TOTAL ASSETS		537,487	528,660
EQUITY			
Share capital	19	100	100
Reserves	20	354,568	335,703
Total equity attributable to shareholders of the Company		354,668	335,803
Non-controlling interests	21	37,261	36,502
TOTAL EQUITY		391,929	372,305
LIABILITIES			
Borrowings	22	30,072	29,002
Deferred tax liabilities	14	12,933	11,483
Other long term liabilities and provisions	24	31,352	28,506
TOTAL NON-CURRENT LIABILITIES		74,357	68,991
Trade and other payables	25	60,125	64,790
Borrowings	22	6,762	12,844
Taxation		4,314	4,730
Dividend payable		-	5,000
TOTAL CURRENT LIABILITIES		71,201	87,364
TOTAL LIABILITIES		145,558	156,355
TOTAL EQUITY AND LIABILITIES		537,487	528,660

The notes set out on pages 136 to 241 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

In RM Mil	Note	2014	2013
Revenue		329,148	317,314
Cost of revenue		(216,424)	(204,781)
Gross profit	26	112,724	112,533
Selling and distribution expenses		(5,146)	(4,918)
Administration expenses		(32,338)	(15,910)
Other expenses		(3,193)	(1,859)
Other income		6,563	5,767
Operating profit	27	78,610	95,613
Financing costs		(2,656)	(2,752)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures		1,737	1,397
Profit before taxation		77,691	94,258
Tax expense	28	(30,078)	(28,672)
Profit for the year		47,613	65,586
Other comprehensive income/(expenses)			
Items that may be reclassified subsequently to profit or loss			
Net movements from exchange differences		8,030	8,695
Available-for-sale financial assets			
- Changes in fair value		(1,882)	(907)
- Transfer to profit or loss		327	(196)
Others		109	18
Total other comprehensive income for the year		6,584	7,610
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		54,197	73,196
Profit attributable to:			
Shareholders of the Company		37,038	54,114
Non-controlling interests		10,575	11,472
PROFIT FOR THE YEAR		47,613	65,586
Total comprehensive income attributable to:			
Shareholders of the Company		42,831	60,799
Non-controlling interests		11,366	12,397
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		54,197	73,196

The notes set out on pages 136 to 241 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

		Attributable to shareholders of the Company			
		Non-distributable			
In RM Mil	**Note**	**Share Capital**	**Capital Reserves**	**Foreign Currency Translation Reserve**	**Available-for-sale Reserve**
Balance at 1 January 2013		100	13,518	(731)	2,521
Net movements from exchange differences		-	-	7,741	-
Available-for-sale financial assets:					
- Changes in fair value		-	-	-	(869)
- Transfer to profit or loss		-	-	-	(196)
Other comprehensive (expenses)/income		-	(29)	-	-
Total other comprehensive (expenses)/income for the year		-	(29)	7,741	(1,065)
Profit for the year		-	-	-	-
Total comprehensive (expenses)/ income for the year		-	(29)	7,741	(1,065)
Share of reserves of associates and joint ventures		-	38	-	-
Additional issuance of shares to non-controlling interests		-	-	-	-
Additional equity interest in subsidiaries		-	-	-	-
Dividends	29	-	-	-	-
Total transactions with shareholders		-	38	-	-
Balance at 31 December 2013		100	13,527	7,010	1,456

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The notes set out on pages 136 to 241 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

In RM Mil	Note	General Reserve	Retained Profits	Total	Non-controlling Interests	Total Equity
		Attributable to shareholders of the Company				
		Distributable				
Balance at 1 January 2013		12,000	279,563	306,971	32,001	338,972
Net movements from exchange differences		-	-	7,741	954	8,695
Available-for-sale financial assets:						
- Changes in fair value		-	-	(869)	(38)	(907)
- Transfer to profit or loss		-	-	(196)	-	(196)
Other comprehensive (expenses)/income		-	38	9	9	18
Total other comprehensive (expenses)/income for the year		-	38	6,685	925	7,610
Profit for the year		-	54,114	54,114	11,472	65,586
Total comprehensive (expenses)/ income for the year		-	54,152	60,799	12,397	73,196
Share of reserves of associates and joint ventures		-	-	38	-	38
Additional issuance of shares to non-controlling interests		-	-	-	62	62
Additional equity interest in subsidiaries		-	(5)	(5)	-	(5)
Dividends	29	-	(32,000)	(32,000)	(7,958)	(39,958)
Total transactions with shareholders		-	(32,005)	(31,967)	(7,896)	(39,863)
Balance at 31 December 2013		12,000	301,710	335,803	36,502	372,305

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The notes set out on pages 136 to 241 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

		Attributable to shareholders of the Company			
		Non-distributable			
In RM Mil	**Note**	**Share Capital**	**Capital Reserves**	**Foreign Currency Translation Reserve**	**Available-for-sale Reserve**
Balance at 1 January 2014		100	13,527	7,010	1,456
Net movements from exchange differences		-	-	7,240	-
Available-for-sale financial assets:					
- Changes in fair value		-	-	-	(1,881)
- Transfer to profit or loss		-	-	-	373
Other comprehensive (expenses)/income		-	61	-	-
Total other comprehensive (expenses)/income for the year		-	61	7,240	(1,508)
Profit for the year		-	-	-	-
Total comprehensive (expenses)/ income for the year		-	61	7,240	(1,508)
Additional issuance of shares to non-controlling interests		-	-	-	-
Acquisition of a subsidiary		-	-	-	-
Disposal of subsidiaries		-	34	-	-
Dividends	29	-	-	-	-
Total transactions with shareholders		-	34	-	-
Balance at 31 December 2014		100	13,622	14,250	(52)

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The notes set out on pages 136 to 241 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

In RM Mil	Note	General Reserve	Retained Profits	Total	Non-controlling Interests	Total Equity
		Attributable to shareholders of the Company				
		Distributable				
Balance at 1 January 2014		12,000	301,710	335,803	36,502	372,305
Net movements from exchange differences		-	-	7,240	790	8,030
Available-for-sale financial assets:						
- Changes in fair value		-	-	(1,881)	(1)	(1,882)
- Transfer to profit or loss		-	-	373	(46)	327
Other comprehensive (expenses)/income		-	-	61	48	109
Total other comprehensive (expenses)/income for the year		-	-	5,793	791	6,584
Profit for the year		-	37,038	37,038	10,575	47,613
Total comprehensive (expenses)/ income for the year		-	37,038	42,831	11,366	54,197
Additional issuance of shares to non-controlling interests		-	-	-	171	171
Acquisition of a subsidiary		-	-	-	36	36
Disposal of subsidiaries		-	-	34	(184)	(150)
Dividends	29	-	(24,000)	(24,000)	(10,630)	(34,630)
Total transactions with shareholders		-	(24,000)	(23,966)	(10,607)	(34,573)
Balance at 31 December 2014		12,000	314,748	354,668	37,261	391,929

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The notes set out on pages 136 to 241 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

In RM Mil	Note	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		329,840	308,423
Cash paid to suppliers and employees		(193,826)	(179,393)
		136,014	129,030
Interest income from fund and other investments		3,697	2,895
Interest expenses paid		(1,820)	(2,188)
Taxation paid		(34,292)	(38,772)
Net cash generated from operating activities		103,599	90,965
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash used in investing activities	30	(57,581)	(48,421)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities	31	(47,546)	(37,139)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,528)	5,405
DECREASE IN DEPOSITS RESTRICTED		28	308
NET FOREIGN EXCHANGE DIFFERENCES		1,792	2,095
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		116,435	108,627
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		116,727	116,435
CASH AND CASH EQUIVALENTS			
Cash and bank balances and deposits	15	116,826	117,118
Short term marketable securities	12	400	233
Bank overdrafts	22	(144)	(533)
		117,082	116,818
Less: Deposits restricted	15	(355)	(383)
		116,727	116,435

The notes set out on pages 136 to 241 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

In RM Mil	Note	2014	2013
ASSETS			
Property, plant and equipment	3	12,338	12,507
Investments in subsidiaries	7	63,368	54,265
Investments in associates	8	302	302
Investments in joint ventures	9	1,460	1,460
Long term receivables	11	124,372	85,756
Fund and other investments	12	7,523	9,112
Deferred tax assets	14	5,730	4,850
TOTAL NON-CURRENT ASSETS		215,093	168,252
Trade and other inventories	16	469	279
Trade and other receivables	17	23,196	59,942
Assets classified as held for sale	18	17	-
Fund and other investments	12	7,502	9,004
Cash and cash equivalents	15	55,443	46,874
TOTAL CURRENT ASSETS		86,627	116,099
TOTAL ASSETS		301,720	284,351
EQUITY			
Share capital	19	100	100
Reserves	20	235,078	204,992
TOTAL EQUITY		235,178	205,092
LIABILITIES			
Borrowings	22	15,673	16,802
Other long term liabilities and provisions	24	25,648	23,623
TOTAL NON-CURRENT LIABILITIES		41,321	40,425
Trade and other payables	25	21,278	27,010
Borrowings	22	2,184	4,931
Taxation		1,759	1,893
Dividend payable		-	5,000
TOTAL CURRENT LIABILITIES		25,221	38,834
TOTAL LIABILITIES		66,542	79,259
TOTAL EQUITY AND LIABILITIES		301,720	284,351

The notes set out on pages 136 to 241 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

In RM Mil	Note	2014	2013
Revenue		136,015	128,665
Cost of revenue		(71,432)	(68,341)
Gross profit	26	64,583	60,324
Selling and distribution expenses		(385)	(498)
Administration expenses		(4,664)	(6,304)
Other expenses		(93)	(312)
Other income		10,155	8,835
Operating profit	27	69,596	62,045
Financing costs		(1,789)	(1,736)
Profit before taxation		67,807	60,309
Tax expense	28	(13,774)	(14,731)
Profit for the year		54,033	45,578
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of available-for-sale financial assets		53	98
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		54,086	45,676

The notes set out on pages 136 to 241 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

		Non-distributable		*Distributable*		
In RM Mil	**Note**	**Share Capital**	**Available-for-sale Reserve**	**General Reserve**	**Retained Profits**	**Total Equity**
Balance at 1 January 2013		100	32	12,000	179,284	191,416
Changes in fair value of available-for-sale financial assets representing other comprehensive income for the year		-	98	-	-	98
Profit for the year		-	-	-	45,578	45,578
Total comprehensive income for the year		-	98	-	45,578	45,676
Dividends representing transaction with shareholders of the Company	29	-	-	-	(32,000)	(32,000)
Balance at 31 December 2013		100	130	12,000	192,862	205,092
Balance at 1 January 2014		100	130	12,000	192,862	205,092
Changes in fair value of available-for-sale financial assets representing other comprehensive income for the year		-	53	-	-	53
Profit for the year		-	-	-	54,033	54,033
Total comprehensive income for the year		-	53	-	54,033	54,086
Dividends representing transaction with shareholders of the Company	29	-	-	-	(24,000)	(24,000)
Balance at 31 December 2014		100	183	12,000	222,895	235,178

The notes set out on pages 136 to 241 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

In RM Mil	Note	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		112,861	101,508
Cash paid to suppliers and employees		(85,042)	(73,175)
		27,819	28,333
Interest income from fund and other investments		3,436	2,779
Interest expenses paid		(1,134)	(1,097)
Taxation paid		(15,942)	(18,956)
Net cash generated from operating activities		14,179	11,059
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash generated from investing activities	30	27,837	9,359
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities	31	(33,746)	(28,051)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		8,270	(7,633)
NET FOREIGN EXCHANGE DIFFERENCES		416	932
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		47,107	53,808
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		55,793	47,107
CASH AND CASH EQUIVALENTS			
Cash and bank balances and deposits	15	55,443	46,874
Short term marketable securities	12	350	233
		55,793	47,107

The notes set out on pages 136 to 241 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2014

1. BASIS OF PREPARATION

1.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

At the beginning of the current financial year, the Group and the Company had adopted amendments to MFRS and IC Interpretation (collectively referred to as "pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in note 43.

The Group and the Company have early adopted Amendments to MFRS 132 *Financial Instruments*: *Presentation – Offsetting Financial Assets and Financial Liabilities* in the previous financial year.

MASB has also issued new and revised pronouncements which are not yet effective for the Group and the Company and therefore, have not been adopted for in these financial statements. These pronouncements including their impact on the financial statements in the period of initial application are set out in note 44. New and revised 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 26 February 2015.

1.2 Basis of measurement

The financial statements of the Group and of the Company have been prepared on historical cost basis except that, as disclosed in the accounting policies below, certain items are measured at fair value.

1.3 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group and the Company's financial statements are presented in Ringgit Malaysia, which is the Company's functional currency.

1.4 Use of estimates and judgments

The preparation of financial statements in conformity with MFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

1. BASIS OF PREPARATION (continued)

1.4 Use of estimates and judgments (continued)

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

i. Note 3 : Property, Plant and Equipment;
ii. Note 10 : Intangible Assets;
iii. Note 14 : Deferred Tax;
iv. Note 24 : Other Long Term Liabilities and Provisions; and
v. Note 41 : Financial Instruments.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group entities, unless otherwise stated.

2.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

All inter-company transactions are eliminated on consolidation and revenue and profits relate to external transactions only. Unrealised losses resulting from inter-company transactions are also eliminated unless cost cannot be recovered.

Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method. The identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the aggregate of the fair value of the consideration transferred and the amount of any non-controlling interests in the acquiree. Non-controlling interests are stated either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

When a business combination is achieved in stages, the Group remeasures its previously held non-controlling equity interest in the acquiree at fair value at the acquisition date, with any resulting gain or loss recognised in the profit or loss. Increase in the Group's ownership interest in an existing subsidiary is accounted for as equity transactions with differences between the fair value of consideration paid and the Group's proportionate share of net assets acquired, recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of consolidation (continued)

Business combinations (continued)

The Group measures goodwill as the excess of the cost of an acquisition as defined above and the fair value of any previously held interest in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill arising from business combinations prior to 1 October 2009 is stated at the previous carrying amount less subsequent impairments, pursuant to the adoption of MFRS framework by the Group in the financial year ended 31 December 2012.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination, are expensed as incurred.

Non-controlling interests

Non-controlling interests at the end of the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and total comprehensive income for the year between the non-controlling interests and shareholders of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

Loss of control

Upon loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2.2 Associates

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 **Associates** (continued)

Associates are accounted for in the consolidated financial statements using the equity method. The consolidated financial statements include the Group's share of post-acquisition profits or losses and other comprehensive income of the equity-accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

The Group's share of post-acquisition reserves and retained profits less losses is added to the carrying value of the investment in the consolidated statement of financial position. These amounts are taken from the latest audited financial statements or management financial statements of the associates.

When the Group's share of post-acquisition losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with the resulting gain or loss being recognised in profit or loss. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's interest in an associate decreases but does not result in loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets and liabilities.

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 Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified as either joint operation or joint venture. A joint arrangement is classified as joint operation when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation. A joint arrangement is classified as joint venture when the Group has rights only to the net assets of the arrangement. The Group accounts for its interest in the joint venture using the equity method as described in note 2.2.

2.4 Property, plant and equipment and depreciation

Freehold land and projects-in-progress are stated at cost less accumulated impairment losses and are not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

2.4 **Property, plant and equipment and depreciation** (continued)

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of material and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the profit or loss accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Depreciation for property, plant and equipment other than freehold land, oil and gas properties and projects-in-progress, is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Property, plant and equipment are not depreciated until the assets are ready for their intended use.

Amortisation of producing oil and gas properties is computed based on the unit of production method using total proved and probable reserves for capitalised acquisition costs and total proved and probable developed reserves for capitalised exploration and development costs.

Lease properties are depreciated over the lease term or the estimated useful lives, whichever is shorter. Leasehold land is depreciated over the lease term.

The estimated useful lives of the other property, plant and equipment are as follows:

Buildings	14 - 50 years
Plant and equipment	3 - 67 years
Office equipment, furniture and fittings	5 - 10 years
Computer software and hardware	5 years
Motor vehicles	3 - 5 years
Vessels	25 - 40 years

Estimates in respect of certain items of property, plant and equipment were revised during the year (refer note 3).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment and depreciation (continued)

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

2.5 Investment properties

Investment properties are properties which are owned either to earn rental income or for capital appreciation or for both. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Freehold land and projects-in-progress are stated at cost and are not depreciated. Other investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any, consistent with the accounting policy for property, plant and equipment as stated in note 2.4.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing costs.

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

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

2.6 Land held for development

Land held for development consists of land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at the lower of cost and net realisable value consistent with the accounting policy for inventories as stated in note 2.16.

Cost includes acquisition cost of land and attributable development expenditure. Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Development expenditure includes the cost for development of main infrastructure works.

Land held for development is reclassified as properties under development at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle. Properties under development is, in turn, reclassified as developed properties held for sale upon completion of the development activities.

Properties under development and developed properties held for sale are recognised as trade and other inventories in current assets. The accounting policy is described separately in note 2.16.

2.7 Leased assets

A lease arrangement is accounted for as finance or operating lease in accordance with the accounting policy as stated below. When the fulfilment of an arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset, it is accounted for as a lease in accordance with the accounting policy below although the arrangement does not take the legal form of a lease.

Finance lease

A lease is recognised as a finance lease if it transfers substantially to the Group and the Company all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as borrowings.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

Contingent lease payments, if any, are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

Operating lease

All leases that do not transfer substantially to the Group and the Company all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the Group's and the Company's statement of financial position.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line basis. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

Prepaid lease payments

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

Leasehold land is classified into long lease and short lease. Long lease is defined as a lease with an unexpired lease period of 50 years or more. Short lease is defined as a lease with an unexpired lease period of less than 50 years.

2.8 Investments

Long term investments in subsidiaries, associates and joint ventures are stated at cost less impairment loss, if any, in the Company's financial statements unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

The carrying amount of these investments includes fair value adjustments on shareholder's loans and advances, if any (note 2.12(i)).

2.9 Intangible assets

Goodwill

Goodwill arising from business combinations is initially measured at cost as described in note 2.1. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is reviewed for impairment when there is objective evidence of impairment.

Exploration expenditure

Intangible assets also include expenditure on the exploration for and evaluation of oil and natural gas resources (hereinafter collectively referred to as "exploration expenditure"). The accounting policy for exploration expenditure is described separately in note 2.10.

Other intangible assets

Intangible assets other than goodwill and exploration expenditure are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their fair values as at the date of acquisition.

Following initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised in the profit or loss on a straight-line basis over the estimated economic useful lives, other than certain recoverable expenditure incurred under a service contract which is amortised based on unit of production method. The amortisation method and the useful life for intangible assets are reviewed at least at each reporting date. Intangible assets are assessed for impairment whenever there is an indication that the intangible assets may be impaired.

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses. These intangible assets are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Exploration and development expenditure

The Group follows the successful efforts method of accounting for the exploration and development expenditure.

Exploration expenditure

Costs directly associated with an exploration well, including license acquisition and drilling costs, are initially capitalised as intangible assets until the results have been evaluated.

If a well does not result in successful discovery of economically recoverable volume of hydrocarbons, such costs are written off as a dry well. If hydrocarbons are found and, subject to further appraisal activity which may include the drilling of further wells, are likely to be capable of commercial development under prevailing economic conditions, the costs continue to be carried as intangible assets. All such carried costs are reviewed at least once a year to determine whether the reserves found or appraised remain economically viable. When this is no longer the case, the costs are written off.

Where development plan is commercially viable and approved by the relevant authorities, the related exploration and evaluation costs are transferred to projects-in-progress in property, plant and equipment.

Development expenditure

Development expenditure comprises all costs incurred in bringing a field to commercial production and is capitalised as incurred. The amount capitalised includes attributable interests and other financing costs incurred on exploration and development before commencement of production.

Upon commencement of production, the exploration and development expenditure initially capitalised as projects-in-progress are transferred to oil and gas properties, and are depreciated as described in the accounting policy for property, plant and equipment (note 2.4).

2.11 Non-current assets held for sale

Non-current assets and disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Immediately before classification as held for sale, the assets (or all the assets and liabilities in a disposal group) are remeasured in accordance with the Group's applicable accounting policies. Thereafter, on initial classification as held for sale, the assets or disposal groups are measured at the lower of carrying amount and fair value less cost to sell. Any differences are charged to the profit or loss.

Intangible assets, property, plant and equipment and investment properties once classified as held for sale are not amortised nor depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments

A financial instrument is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

(i) Financial assets

Initial recognition

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Group and the Company determine the classification of financial assets at initial recognition.

Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, any directly attributable transaction costs.

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial assets that are specifically designated into this category upon initial recognition.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses recognised in the profit or loss. The methods used to measure fair value are stated in note 2.25.

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market. Subsequent to initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest rate method (note 2.12(vi)).

Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has positive intention and ability to hold the assets to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method (note 2.12(vi)).

2.12 Financial instruments (continued)

(i) Financial assets (continued)

Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at fair value with unrealised gains or losses recognised directly in other comprehensive income and accumulated under available-for-sale reserve in equity until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recorded in equity is reclassified to the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see note 2.13(i)).

(ii) Financial liabilities

Initial recognition

Financial liabilities are classified as financial liabilities at fair value through profit or loss or loans and borrowings (i.e. financial liabilities measured at amortised cost), as appropriate. The Group and the Company determine the classification of financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value less, in the case of loans and borrowings, any directly attributable transaction costs.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

Loans and borrowings

Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest rate method (note 2.12(vi)).

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Financial guarantee contracts are amortised on a straight-line basis over the contractual period of the debt instrument. Where the guarantee does not have a specific period, the guarantee will only be recognised in the profit or loss upon discharge of the guarantee.

When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as provision.

(iv) Derivative financial instruments

The Group and the Company use derivative financial instruments such as interest rate and foreign currency swaps, forward rate contracts, futures and options, to manage certain exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year are recognised in the profit or loss.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

In general, contracts to sell or purchase non-financial items to meet expected own use requirements are not accounted for as financial instruments. However, contracts to sell or purchase commodities that can be net settled or which contain written options are required to be recognised at fair value, with gains and losses recognised in the profit or loss.

(v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

(vi) Amortised cost of financial instruments

Amortised cost is computed using the effective interest rate method. This method uses effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

(vii) Derecognition of financial instruments

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

2.13 Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries, investments in associates and investments in joint ventures) are assessed at each reporting date to determine whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Impairment (continued)

(i) Financial assets (continued)

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets, other than inventories, amount due from contract customers, deferred tax assets and non-current assets or disposal groups classified as held for sale, are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

A cash-generating unit is the smallest identifiable asset group that generates cash flows from continuing use that are largely independent from other assets and groups. An impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less cost to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed in a subsequent period. In respect of other assets, impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances, deposits with licensed financial institutions and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and deposits restricted, if any.

2.15 Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers which is part of trade and other payables in the statement of financial position.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

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

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

Cost of developed properties held for sale and properties under development consists of costs associated with the acquisition of land, all costs that are directly attributable to development activities, appropriate proportions of common costs attributable to developing the properties, and interest expenses incurred during the period of active development.

2.17 Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future net cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the accretion in the provision due to the passage of time is recognised as finance cost.

2.17 Provisions (continued)

The amount recognised as a provision is the best estimate of the net expenditure required to settle the present obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

In particular, information about provisions that have the most significant effect on the amount recognised in the financial statements is described in note 24.

2.18 Employee benefits

Short term benefits

Wages and salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF").

Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes and certain other independently-administered funds which are defined contribution plans.

Such contributions are recognised as an expense in the profit or loss as incurred.

2.19 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax expense is the expected tax payable on the taxable income for the year, using the statutory tax rates at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused tax credits can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Taxation (continued)

Deferred tax (continued)

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill and the initial recognition of an asset or liability in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities where they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that future taxable profit will be available against which the related tax benefit can be realised.

2.20 Foreign currency transactions

In preparing the financial statements of individual entities in the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are translated to the functional currencies at rates of exchange ruling on the transaction dates.

Monetary assets and liabilities denominated in foreign currencies at the reporting date have been retranslated to the functional currency at rates ruling on the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies, which are measured at fair value, are retranslated to the functional currency at the foreign exchange rates ruling at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Gains and losses on exchange arising from retranslation are recognised in the profit or loss, except for differences arising on retranslation of available-for-sale equity instruments, which are recognised in equity.

On consolidation, the assets and liabilities of subsidiaries with functional currencies other than Ringgit Malaysia, are translated into Ringgit Malaysia at the exchange rates approximating those ruling at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 April 2011 which are treated as assets and liabilities of the acquirer company pursuant to the adoption of MFRS framework.

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

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to the Group's foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in a foreign operation and are reclassified to other comprehensive income and accumulated under foreign currency translation reserve in equity. Upon disposal of the investment, the cumulative exchange differences previously recorded in equity are reclassified to the consolidated profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Borrowing costs and foreign currency exchange differences relating to projects-in-progress

Borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be prepared for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are completed.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific qualifying asset, in which case the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowings, will be capitalised.

Exchange differences arising from foreign currency borrowings, although regarded as an adjustment to borrowing costs, are not capitalised but instead recognised in the profit or loss in the period in which they arise.

2.22 Revenue

Revenue from sale of oil and gas and their related products are recognised in the profit or loss when the risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognised in the profit or loss based on actual and estimates of work done in respect of services rendered for long term project management contracts. Work done is measured based on internal certification of project activities. Full provision is made for any foreseeable losses.

Revenue arising from shipping activities are mainly from freight income and charter income. Freight income and the relevant discharged costs of cargoes loaded onto vessels up to the reporting date are accrued for in the profit or loss based on percentage of completion method. Charter income is accrued on time accrual basis.

Revenue from sale of properties is recognised in the profit or loss when the significant risks and rewards of ownership of the properties have been transferred to the buyer.

Revenue arising from rental income of investment properties is recognised on a straight-line basis over the term of the lease under the lease arrangement per note 35.

Revenue arising from assets yielding interest is recognised on a time proportion basis that takes into account the effective yield on the assets.

Revenue arising from investments yielding dividend is recognised when the shareholders' right to receive payment is established.

2.23 Financing costs

Financing costs comprise interest payable on borrowings and profit sharing margin on Islamic Financing Facilities, as well as accretion in provision due to the passage of time.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Financing costs (continued)

All interest and other costs incurred in connection with borrowings are expensed as incurred, other than that capitalised in accordance with the accounting policy stated in note 2.21. The interest component of finance lease payments is accounted for in accordance with the policy set out in note 2.7.

2.24 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the PETRONAS Executive Committee, to make decision about resources to be allocated to the segment and to assess its performance.

2.25 Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

(ii) Non-financial assets

For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable input).

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. PROPERTY, PLANT AND EQUIPMENT

Group **2014** *In RM Mil*	**At 1.1.2014**	**Additions**	**Acquisition/ (disposals) of subsidiaries and an interest in a joint operation**	**Disposals/ write-offs**
At cost:				
Freehold land	2,642	2	-	(4)
Leasehold land	2,529	25	39	(7)
Lease properties	1,044	-	-	(3)
Oil and gas properties	193,623	4,654	2,043	(4,220)
Buildings	17,168	176	7	(36)
Plant and equipment	83,321	2,189	3,707	(2,495)
Office equipment, furniture and fittings	2,549	87	7	(41)
Computer software and hardware	2,815	248	34	(71)
Motor vehicles	543	48	2	(32)
Vessels	31,210	492	-	(1,099)
Projects-in-progress				
- oil and gas properties	59,674	26,088	-	(184)
- other projects	29,988	20,970	(442)	(99)
	427,106	54,979	5,397	(8,291)

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Accumulated depreciation and impairment losses:	**At 1.1.2014**	**Charge for the year**	**Acquisition/ (disposals) of subsidiaries and an interest in a joint operation**	**Disposals/ write-offs**
Freehold land	-	-	-	-
Leasehold land	576	50	7	-
Lease properties	851	28	-	(3)
Oil and gas properties	103,666	14,193	-	(36)
Buildings	5,671	468	1	(23)
Plant and equipment	51,075	3,912	1,894	(1,668)
Office equipment, furniture and fittings	1,852	162	5	(36)
Computer software and hardware	2,096	289	32	(71)
Motor vehicles	373	42	2	(31)
Vessels	15,656	1,124	-	(548)
Projects-in-progress				
- oil and gas properties	1,714	-	-	-
- other projects	39	-	-	-
	183,569	20,268	1,941	(2,416)

continue to next page

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2014 *In RM Mil*	**Transfers/ reclass/ adjustments**	**Translation exchange difference**	**At 31.12.2014**
At cost:			
Freehold land	38	(10)	2,668
Leasehold land	(22)	10	2,574
Lease properties	(1)	5	1,045
Oil and gas properties	35,185	4,546	235,831
Buildings	208	(59)	17,464
Plant and equipment	3,231	1,181	91,134
Office equipment, furniture and fittings	(43)	18	2,577
Computer software and hardware	289	3	3,318
Motor vehicles	8	(1)	568
Vessels	(552)	2,031	32,082
Projects-in-progress			
- oil and gas properties	(31,375)	1,161	55,364
- other projects	(5,842)	1,024	45,599
	[a,b] 1,124	9,909	490,224

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Accumulated depreciation and impairment losses:	**Impairment loss/ (write-back)**	**Transfers/ reclass/ adjustments**	**Translation exchange difference**	**At 31.12.2014**
Freehold land	-	-	-	-
Leasehold land	-	(44)	7	596
Lease properties	-	(1)	5	880
Oil and gas properties	20,163	700	3,313	141,999
Buildings	(4)	(30)	(18)	6,065
Plant and equipment	71	(79)	951	56,156
Office equipment, furniture and fittings	-	(44)	3	1,942
Computer software and hardware	-	(5)	1	2,342
Motor vehicles	-	-	(1)	385
Vessels	235	132	1,008	17,607
Projects-in-progress				
- oil and gas properties	225	(1,029)	23	933
- other projects	9	(16)	1	33
	20,699	[c] (416)	5,293	228,938

continued from previous page

[a] Includes revision to future cost of decommissioning of oil and gas properties amounting to (RM286 million).

[b] Includes net transfers of RM1,410 million comprising transfer from intangible assets of RM5,545 million and transfers to assets held for sale of (RM2,335 million), long term receivables of (RM1,747 million), other receivables of (RM47 million) and prepaid lease payments of (RM6 million).

[c] Includes transfers of (RM416 million) comprising transfer to assets held for sale of (RM406 million) and intangible assets of (RM11 million) and transfer from investment properties of RM1 million.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2013 *In RM Mil*	At 1.1.2013	Additions	Disposals/ write-offs
At cost:			
Freehold land	2,528	62	(13)
Leasehold land	2,350	12	(14)
Lease properties	1,217	1	-
Oil and gas properties	165,171	2,783	(2,699)
Buildings	16,230	314	(26)
Plant and equipment	75,973	1,065	(280)
Office equipment, furniture and fittings	2,160	163	(43)
Computer software and hardware	2,440	160	(65)
Motor vehicles	531	57	(23)
Vessels	34,622	569	(1,247)
Projects-in-progress			
- oil and gas properties	52,602	23,505	(661)
- other projects	23,229	14,993	(28)
	379,053	43,684	(5,099)

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Accumulated depreciation and impairment losses:	At 1.1.2013	Charge for the year	Disposals/ write-offs
Freehold land	-	-	-
Leasehold land	531	30	(1)
Lease properties	827	45	-
Oil and gas properties	78,925	16,786	(627)
Buildings	4,994	450	(9)
Plant and equipment	46,925	3,630	(256)
Office equipment, furniture and fittings	1,702	147	(37)
Computer software and hardware	1,977	194	(58)
Motor vehicles	357	44	(20)
Vessels	14,809	1,091	(940)
Projects-in-progress			
- oil and gas properties	3,452	-	-
- other projects	36	-	(1)
	154,535	22,417	(1,949)

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3. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

continued from previous page

[a] Includes revision to future cost of decommissioning of oil and gas properties amounting to RM2,235 million.

[b] Includes net transfers of (RM3,128 million) comprising transfers from intangible assets of RM3,732 million and prepaid lease payments of RM1 million and transfers to long term receivables of (RM6,255 million), assets held for sale of (RM576 million) and investment properties of (RM30 million).

[c] Includes net transfers to assets held for sale of (RM426 million).

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company **2014** *In RM Mil*	**At 1.1.2014**	**Additions**	**Disposals/ write-offs**
At cost:			
Freehold land	6	-	-
Leasehold land	125	-	(11)
Lease properties	368	-	-
Oil and gas properties	14,498	878	-
Buildings	277	-	-
Plant and equipment	11	972	-
Office equipment, furniture and fittings	98	1	(1)
Computer software and hardware	240	6	(23)
Motor vehicles	24	1	(5)
Projects-in-progress			
- oil and gas properties	522	1,101	(145)
- other projects	3,843	1,623	(187)
	20,012	4,582	(372)

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Accumulated depreciation and impairment losses:	**At 1.1.2014**	**Charge for the year**	**Disposals/ write-offs**
Freehold land	-	-	-
Leasehold land	39	1	(2)
Lease properties	335	3	-
Oil and gas properties	6,558	2,139	-
Buildings	58	2	-
Plant and equipment	11	198	-
Office equipment, furniture and fittings	78	9	(1)
Computer software and hardware	173	61	(15)
Motor vehicles	20	2	(4)
Projects-in-progress			
- oil and gas properties	233	-	-
- other projects	-	-	-
	7,505	2,415	(22)

continue to next page

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company **2014** *In RM Mil*	**Transfers/ reclass/ adjustments**	**At 31.12.2014**
At cost:		
Freehold land	-	6
Leasehold land	(16)	98
Lease properties	(224)	144
Oil and gas properties	391	15,767
Buildings	12	289
Plant and equipment	2	985
Office equipment, furniture and fittings	-	98
Computer software and hardware	145	368
Motor vehicles	-	20
Projects-in-progress		
- oil and gas properties	(995)	483
- other projects	(601)	4,678
	[a,b] (1,286)	22,936

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Accumulated depreciation and impairment losses:	**Impairment loss**	**Transfers/ reclass/ adjustments**	**At 31.12.2014**
Freehold land	-	-	-
Leasehold land	-	(3)	35
Lease properties	-	(220)	118
Oil and gas properties	923	-	9,620
Buildings	-	-	60
Plant and equipment	-	-	209
Office equipment, furniture and fittings	-	-	86
Computer software and hardware	-	-	219
Motor vehicles	-	-	18
Projects-in-progress			
- oil and gas properties	-	-	233
- other projects	-	-	-
	923	[c] (223)	10,598

continued from previous page

[a] Includes revision to future cost of decommissioning of oil and gas properties amounting to (RM604 million).
[b] Includes net transfers to amount due from subsidiaries of (RM442 million) and assets held for sale of (RM240 million).
[c] Includes net transfers to assets held for sale of (RM223 million).

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2013 *In RM Mil*	At 1.1.2013	Additions	Disposals/ write-offs	Transfers/ reclass/ adjustments	At 31.12.2013
At cost:					
Freehold land	6	-	-	-	6
Leasehold land	125	-	-	-	125
Lease properties	367	-	-	1	368
Oil and gas properties	12,212	386	(1,609)	3,509	14,498
Buildings	253	-	-	24	277
Plant and equipment	13	-	-	(2)	11
Office equipment, furniture and fittings	106	1	(9)	-	98
Computer software and hardware	376	5	(141)	-	240
Motor vehicles	24	-	-	-	24
Projects-in-progress					
- oil and gas properties	1,201	235	(418)	(496)	522
- other projects	3,314	2,166	(266)	(1,371)	3,843
	17,997	2,793	(2,443)	[a,b] 1,665	20,012

Accumulated depreciation and impairment losses:	At 1.1.2013	Charge for the year	Disposals/ write-offs	Impairment loss	At 31.12.2013
Freehold land	-	-	-	-	-
Leasehold land	38	1	-	-	39
Lease properties	332	3	-	-	335
Oil and gas properties	5,789	1,396	(627)	-	6,558
Buildings	56	2	-	-	58
Plant and equipment	10	1	-	-	11
Office equipment, furniture and fittings	73	11	(6)	-	78
Computer software and hardware	241	55	(123)	-	173
Motor vehicles	17	3	-	-	20
Projects-in-progress					
- oil and gas properties	-	-	-	233	233
- other projects	-	-	-	-	-
	6,556	1,472	(756)	233	7,505

[a] Includes revision to future cost of decommissioning of oil and gas properties amounting to RM2,692 million.
[b] Includes net transfers to amount due from subsidiaries of (RM1,027 million).

3. PROPERTY, PLANT AND EQUIPMENT (continued)

In RM Mil	Group Carrying amount 2014	Group Carrying amount 2013	Company Carrying amount 2014	Company Carrying amount 2013
Freehold land	2,668	2,642	6	6
Leasehold land	1,978	1,953	63	86
Lease properties	165	193	26	33
Oil and gas properties	93,832	89,957	6,147	7,940
Buildings	11,399	11,497	229	219
Plant and equipment	34,978	32,246	776	-
Office equipment, furniture and fittings	635	697	12	20
Computer software and hardware	976	719	149	67
Motor vehicles	183	170	2	4
Vessels	14,475	15,554	-	-
Projects-in-progress				
- oil and gas properties	54,431	57,960	250	289
- other projects	45,566	29,949	4,678	3,843
	261,286	243,537	12,338	12,507

Security

Property, plant and equipment of certain subsidiaries costing RM7,229,797,000 (2013: RM4,505,502,000) have been pledged as security for loan facilities as set out in note 22 and note 23 to the financial statements.

Projects-in-progress

Included in additions to projects-in-progress of the Group is finance cost capitalised during the year of RM1,550,000 (2013: RM8,256,000). The interest rate on borrowings capitalised ranges from 3.85% to 4.10% (2013: 2.42% to 5.59%) per annum.

Restriction of land title

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

Change in estimates

During the year, the Company revised the estimated future cost of decommissioning of oil and gas properties. The revision was accounted for prospectively as a change in accounting estimates resulting in a decrease in cost of oil and gas properties by RM604,000,000 (refer note 24).

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Estimation of oil and gas reserves

Oil and gas reserves are key elements in the Group's and the Company's investment decision-making process. Estimation of oil and gas reserves are conducted using industry recognised method.

The term "reserves" describes the recoverable quantity of oil and gas volumes that are commercially viable for development given the prevailing economic situation present at the time of estimation.

Reserves estimates are normally presented alongside the range of level of certainties namely P1 (proved reserves; high level of certainty), P2 (probable reserves; mean level of certainty) and P3 (possible reserves; low level of certainty). The level of certainties depends on the availability and understanding of the geological and reservoir data available at the time of estimation and is normally represented in the form of probability distribution.

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

Estimation of reserves are reviewed annually. These estimates are inherently imprecise, require the application of judgements and are subject to regular revision, either upward or downward, based on new information available such as new geological information gathered from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans.

Such revisions will impact the Group's and the Company's reported financial position and results which include:

i) carrying value of oil and gas properties and their corresponding amortisation charges;
ii) carrying value of projects-in-progress;
iii) provisions for decommissioning and restoration; and
iv) carrying value of deferred tax assets/liabilities.

Impairment

As at 31 December 2014, the Group and the Company recognised net impairment losses on certain property, plant and equipment amounting to RM20,699,000,000 (2013: RM4,289,000,000) and RM923,000,000 (2013: RM233,000,000) respectively. In arriving at the impairment loss amounts, the carrying amount of each impaired cash-generating unit is compared with the recoverable amount of the cash-generating unit.

The Group's and the Company's recoverable amount for impaired cash-generating unit of RM185,524,000,000 (2013: RM38,050,000,000) and RM218,100,000 (2013: RM Nil) respectively were determined from the value in use calculations, using cash flow projections.

The Group and the Company uses a range of long term assumptions including prices, volumes, margins and costs based on past performance and management's expectations of market development. The projected cash flows were discounted using discount rates ranging between 5.7% and 9.0% (2013: 7.5% and 10.0%).

4. INVESTMENT PROPERTIES

Group **2014** *In RM Mil*	**At** **1.1.2014**	**Additions**	**Disposal of a** **subsidiary**	**Adjustments/** **disposals**
At cost:				
Freehold land	1,232	2	(67)	-
Buildings	12,850	12	-	(15)
Projects-in-progress	453	304	-	(1)
	14,535	318	(67)	(16)

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Accumulated depreciation:	**At** **1.1.2014**	**Charge** **for** **the year**	**Disposal of a** **subsidiary**	**Adjustments/** **disposals**
Freehold land	-	-	-	-
Buildings	3,861	474	-	-
Projects-in-progress	-	-	-	-
	3,861	474	-	-

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2013 *In RM Mil*	**At** **1.1.2013**	**Additions**	**Disposals**
At cost:			
Freehold land	1,172	95	-
Buildings	11,846	17	(5)
Projects-in-progress	1,122	248	-
	14,140	360	(5)

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Accumulated depreciation:	**At** **1.1.2013**	**Charge** **for** **the year**	**Disposals**
Freehold land	-	-	-
Buildings	3,387	463	(1)
Projects-in-progress	-	-	-
	3,387	463	(1)

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4. INVESTMENT PROPERTIES (continued)

Group **2014** *In RM Mil*	**Transfers/ reclass**	**Translation exchange difference**	**At 31.12.2014**
At cost:			
Freehold land	211	-	1,378
Buildings	475	19	13,341
Projects-in-progress	(590)	-	166
	[a] 96	19	14,885

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Accumulated depreciation:	**Transfers/ reclass**	**Translation exchange difference**	**At 31.12.2014**
Freehold land	-	-	-
Buildings	(1)	12	4,346
Projects-in-progress	-	-	-
	[b] (1)	12	4,346

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2013 *In RM Mil*	**Transfers/ reclass**	**Translation exchange difference**	**At 31.12.2013**
At cost:			
Freehold land	(35)	-	1,232
Buildings	978	14	12,850
Projects-in-progress	(917)	-	453
	[c] 26	14	14,535

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Accumulated depreciation:	**Transfers/ reclass**	**Translation exchange difference**	**At 31.12.2013**
Freehold land	-	-	-
Buildings	-	12	3,861
Projects-in-progress	-	-	-
	-	12	3,861

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[a] Comprises transfer from land held for development of RM114 million and transfer to assets held for sale of (RM18 million).
[b] Comprises transfer to property, plant and equipment of (RM1 million).
[c] Comprises transfer from property, plant and equipment of RM30 million and transfer to intangible assets of (RM4 million).

4. INVESTMENT PROPERTIES (continued)

Group	**Carrying amount**	
In RM Mil	**2014**	**2013**
Freehold land	1,378	1,232
Buildings	8,995	8,989
Projects-in-progress	166	453
	10,539	10,674

Certain investment properties with carrying amount of RM Nil (2013: RM2,353,165,000) have been pledged as securities for loan facilities as set out in note 22 and note 23 to the financial statements.

Fair value information

The Directors have estimated the fair values of investment properties as at 31 December 2014 to be RM20,562,000,000 (2013: RM19,036,000,000).

The fair value of investment properties are categorised as follows:

Group		**Level 3**
In RM Mil	**2014**	**2013**
Freehold land	3,290	2,564
Buildings	17,272	16,472
	20,562	19,036

The Group uses various valuation techniques in determining the fair values of its investment properties. Such techniques include discounted cash flows method, investment method and market comparable method.

5. LAND HELD FOR DEVELOPMENT

Included in land held for development is freehold land amounting to RM1,684,000,000 (2013: RM1,277,000,000).

6. PREPAID LEASE PAYMENTS

Group **2014** *In RM Mil*	**At 1.1.2014**	**Additions**	**Disposals**	**Transfers**	**Translation exchange difference**	**At 31.12.2014**
At cost:						
Leasehold land						
- long lease	162	-	-	-	-	162
- short lease	53	1	(1)	-	-	53
Prepaid rental	1,141	52	(3)	9	1	1,200
	1,356	53	(4)	[a] 9	1	1,415

Accumulated amortisation:	**At 1.1.2014**	**Charge for the year**	**Disposals**	**Transfers**	**Translation exchange difference**	**At 31.12.2014**
Leasehold land						
- long lease	12	3	-	-	-	15
- short lease	30	2	(1)	-	-	31
Prepaid rental	297	38	(3)	-	-	332
	339	43	(4)	-	-	378

Group **2013** *In RM Mil*	**At 1.1.2013**	**Additions**	**Disposals**	**Transfers**	**Translation exchange difference**	**At 31.12.2013**
At cost:						
Leasehold land						
- long lease	147	14	-	(1)	2	162
- short lease	51	3	(1)	-	-	53
Prepaid rental	1,076	89	(29)	(11)	16	1,141
	1,274	106	(30)	[b] (12)	18	1,356

Accumulated amortisation:	**At 1.1.2013**	**Charge for the year**	**Disposals**	**Transfers**	**Translation exchange difference**	**At 31.12.2013**
Leasehold land						
- long lease	11	1	-	-	-	12
- short lease	29	2	(1)	-	-	30
Prepaid rental	274	42	(21)	(2)	4	297
	314	45	(22)	[c] (2)	4	339

[a] Comprises transfers from property, plant and equipment of RM6 million and other receivables of RM3 million.
[b] Comprises transfers to other receivables of (RM6 million), assets held for sale of (RM5 million) and property, plant and equipment of (RM1 million).
[c] Comprises transfer to assets held for sale of (RM2 million).

6. PREPAID LEASE PAYMENTS (continued)

Group *In RM Mil*	**Carrying amount** **2014**	**2013**
Leasehold land		
- long lease	147	150
- short lease	22	23
Prepaid rental	868	844
	1,037	1,017

Restrictions of land title

The title to certain leasehold land is in the process of being registered in the subsidiary's name. Certain long term leasehold land of the Group cannot be disposed of, charged or sub-leased without the prior consent of the relevant authority.

7. INVESTMENTS IN SUBSIDIARIES

In RM Mil	**2014**	**Company** **2013**
Investments at cost in Malaysia		
- quoted shares	17,064	17,064
- unquoted shares	39,086	33,291
Fair value adjustments on loans and advances and financial guarantee	9,261	5,806
	65,411	56,161
Less: Impairment losses		
- unquoted shares	(2,043)	(1,896)
	63,368	54,265
Market value of quoted shares	89,337	104,799

Details of key subsidiaries are stated in note 46 to the financial statements.

8. INVESTMENTS IN ASSOCIATES

In RM Mil	Group 2014	Group 2013	Company 2014	Company 2013
Investments at cost				
- quoted shares in Malaysia	263	263	302	302
- unquoted shares	3,282	2,666	-	-
Share of post-acquisition profits and reserves	1,815	1,902	-	-
	5,360	4,831	302	302
Less: Impairment losses				
- unquoted shares	(2,153)	(1,063)	-	-
	3,207	3,768	302	302
Market value of quoted shares	1,533	1,719	921	984
Contingent liabilities:				
Guarantees extended to third parties	(1,851)	(2,350)	-	-

Details of key associates are stated in note 47 to the financial statements.

9. INVESTMENTS IN JOINT VENTURES

In RM Mil	Group 2014	Group 2013	Company 2014	Company 2013
Investments at cost				
- unquoted shares	6,587	5,137	752	752
Fair value adjustments on loans and advances and financial guarantee	619	1,289	717	717
Share of post-acquisition profits and reserves	2,300	2,126	-	-
	9,506	8,552	1,469	1,469
Less: Impairment losses	(247)	(245)	(9)	(9)
	9,259	8,307	1,460	1,460
Contingent liabilities:				
Guarantees extended to third parties	(2)	(2)	(2)	(2)
Claims filed by/disputes with various parties	(1)	(1)	(1)	(1)

Details of key joint ventures are stated in note 48 to the financial statements.

10. INTANGIBLE ASSETS

Group 2014 *In RM Mil*	At 1.1.2014	Additions	Acquisition of a subsidiary and an interest in a joint operation	Disposals/ write-offs
At cost:				
Goodwill	5,612	-	12	-
Exploration expenditure	27,444	7,632	3,653	(6,602)
Other intangible assets	11,628	3,413	-	(76)
	44,684	11,045	3,665	(6,678)

continue to next page

Accumulated amortisation and impairment losses:	At 1.1.2014	Charge for the year	Acquisition of a subsidiary and an interest in a joint operation	Disposals/ write-offs
Goodwill	207	-	-	-
Exploration expenditure	5,177	-	-	(1,582)
Other intangible assets	4,936	6,470	-	-
	10,320	6,470	-	(1,582)

continue to next page

2013 *In RM Mil*	At 1.1.2013	Additions	Disposals/ write-offs
At cost:			
Goodwill	5,538	-	-
Exploration expenditure	26,740	7,877	(3,808)
Other intangible assets	7,499	3,683	-
	39,777	11,560	(3,808)

continue to next page

Accumulated amortisation and impairment losses:	At 1.1.2013	Charge for the year	Disposals/ write-offs
Goodwill	212	-	-
Exploration expenditure	3,903	-	-
Other intangible assets	2,322	2,496	-
	6,437	2,496	-

continue to next page

10. INTANGIBLE ASSETS (continued)

Group 2014 *In RM Mil*	Transfers	Translation exchange difference	At 31.12.2014
At cost:			
Goodwill	-	40	5,664
Exploration expenditure	(5,903)	(53)	26,171
Other intangible assets	9	860	15,834
	[a] (5,894)	847	47,669

continued from previous page

Accumulated amortisation and impairment losses:	Impairment loss	Transfers	Translation exchange difference	At 31.12.2014
Goodwill	137	-	(2)	342
Exploration expenditure	1,687	(301)	92	5,073
Other intangible assets	-	-	721	12,127
	1,824	[b] (301)	811	17,542

continued from previous page

2013 *In RM Mil*	Transfers	Translation exchange difference	At 31.12.2013
At cost:			
Goodwill	-	74	5,612
Exploration expenditure	(3,632)	267	27,444
Other intangible assets	33	413	11,628
	[c] (3,599)	754	44,684

continued from previous page

Accumulated amortisation and impairment losses:	Impairment loss	Transfers	Translation exchange difference	At 31.12.2013
Goodwill	-	-	(5)	207
Exploration expenditure	1,110	-	164	5,177
Other intangible assets	-	(2)	120	4,936
	1,110	[d] (2)	279	10,320

continued from previous page

[a] Comprises net transfers to property, plant and equipment of (RM5,545 million) and assets held for sale of (RM349 million).
[b] Comprises net transfers to assets held for sale of (RM312 million) and transfer from property, plant and equipment of RM11 million.
[c] Comprises transfers to property, plant and equipment of (RM3,732 million), assets held for sale of (RM2 million) and transfer from trade and other inventories of RM131 million and investment properties of RM4 million.
[d] Comprises transfers to assets held for sale of (RM2 million).

10. INTANGIBLE ASSETS (continued)

Group *In RM Mil*	**Carrying amount 2014**	**2013**
Goodwill	5,322	5,405
Exploration expenditure	21,098	22,267
Other intangible assets	3,707	6,692
	30,127	34,364

Impairment review of goodwill

For the purpose of impairment testing, goodwill is allocated to groups of cash-generating units which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

In assessing whether goodwill has been impaired, the carrying amount of the cash-generating unit (including goodwill) is compared with the recoverable amount of the cash-generating unit. The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of any information about the fair value of a cash-generating unit, the value in use is deemed to be the recoverable amount.

Included in goodwill is an amount of RM3,986,000,000 (2013: 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 2015 to 2019, adjusted with an estimated terminal value. The cash flow assumes a long term growth rate of 3.0% (2013: 3.1%) and is discounted to present value using discount rate of between 7.5% and 10.1% (2013: 8.4% and 8.7%).

Based on the above, the recoverable amount of the unit of RM4,168,000,000 (2013: RM4,182,000,000) was determined to be higher than its carrying amount of RM3,773,000,000 (2013: RM3,629,000,000) and therefore, no impairment loss was recognised.

The above estimates are sensitive in the following areas:

(i) A decrease of 0.5 percentage point in long term growth rate used would have reduced the recoverable amount by approximately RM202,000,000.

(ii) An increase of 1.0 percentage point in discount rate used would have reduced the recoverable amount by approximately RM498,000,000.

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 of between 7.8% and 9.0% (2013: 7.4% and 9.0%).

Based on the above, the carrying amount of other goodwill of certain units were determined to be higher than their recoverable amount and the impairment loss of RM137,000,000 (2013: RM Nil) was recognised in administrative expenses. The recoverable amount for the impaired goodwill was RM45,000,000.

11. LONG TERM RECEIVABLES

In RM Mil	Group 2014	Group 2013	Company 2014	Company 2013
Term loans and advances:				
Loans and advances due from subsidiaries	-	-	123,845	85,616
Loans and advances due from associates and joint ventures	1,307	1,600	-	-
	1,307	1,600	123,845	85,616
Finance lease receivables	9,679	6,545	-	-
Other receivables and prepayments	1,972	3,105	631	250
Derivative assets (note 13)	-	1	-	-
	12,958	11,251	124,476	85,866
Less: Impairment losses				
- Term loans and advances	(224)	(170)	(104)	(110)
- Other receivables and prepayments	(71)	(404)	-	-
	12,663	10,677	124,372	85,756

Included in the Company's loans and advances due from subsidiaries is an amount of RM112,764,000,000 (2013: RM84,440,000,000), which bears interest at rates ranging from 1.46% to 7.88% (2013: 1.45% to 7.88%) per annum.

Included in the Group's loans and advances due from associates and joint ventures is an amount of RM1,306,943,000 (2013: RM1,116,788,000), which bears interest at rates ranging from 1.92% to 10.00% (2013: 1.91% to 10.00%) per annum.

Finance lease receivables

Finance lease receivables represent lease rental and interest receivable due from customers in relation to the lease of offshore floating assets by the Group:

In RM Mil	Group 2014	Group 2013
Minimum lease receivables:		
Not later than 1 year	1,398	1,101
Later than 1 year and not later than 2 years	1,356	809
Later than 2 years and not later than 5 years	3,849	2,430
Later than 5 years	8,087	7,217
	14,690	11,557
Less: Future finance income	(4,246)	(4,029)
Present value of finance lease assets	10,444	7,528

11. LONG TERM RECEIVABLES (continued)

Finance lease receivables (continued)

In RM Mil	Group 2014	2013
Present value of finance lease assets:		
Not later than 1 year	765	983
Later than 1 year and not later than 2 years	755	670
Later than 2 years and not later than 5 years	2,428	1,842
Later than 5 years	6,496	4,033
	10,444	7,528
Analysed as:		
Due within 12 months (note 17)	765	983
Due after 12 months	9,679	6,545
	10,444	7,528

The effective interest rate of the Group's finance lease receivables is between 5.96% to 16.37% (2013: 5.99% to 16.37%). Included in minimum lease receivables are the estimated unguaranteed residual values of the leased assets of RM166,000,000 (2013: RM75,660,000).

12. FUND AND OTHER INVESTMENTS

In RM Mil	Group 2014	Group 2013	Company 2014	Company 2013
Non-current				
Loans and receivables				
Unquoted securities	719	742	-	-
Held-to-maturity				
Malaysian Government Securities	1,983	2,658	1,963	2,638
Corporate Private Debt Securities	4,459	5,031	5,484	6,398
	6,442	7,689	7,447	9,036
Available-for-sale				
Quoted shares				
- in Malaysia	74	339	-	-
Quoted securities	27	25	-	-
Unquoted shares	480	460	76	76
	581	824	76	76
Less: Impairment losses				
Unquoted shares	(8)	(3)	-	-
	573	821	76	76
Total non-current investments	7,734	9,252	7,523	9,112

12. FUND AND OTHER INVESTMENTS (continued)

In RM Mil	Group 2014	Group 2013	Company 2014	Company 2013
Current				
Available-for-sale				
Quoted shares				
- in Malaysia	300	247	300	247
- outside Malaysia	3,262	5,075	-	-
Short term marketable securities	400	233	350	233
	3,962	5,555	650	480
Fair value through profit or loss				
- Designated upon initial recognition				
Quoted shares				
- in Malaysia	493	323	-	-
Quoted securities				
- in Malaysia	396	874	-	-
- outside Malaysia	201	187	201	187
Malaysian Government Securities	1,194	3,232	1,194	3,225
Corporate Private Debt Securities	4,246	4,363	4,314	5,112
	6,530	8,979	5,709	8,524
Held-to-maturity				
Malaysian Government Securities	100	-	100	-
Corporate Private Debt Securities	1,043	-	1,043	-
	1,143	-	1,143	-
Total current investments	11,635	14,534	7,502	9,004
Total fund and other investments	19,369	23,786	15,025	18,116
Representing items:				
At amortised cost	8,803	8,913	8,666	9,112
At fair value	10,566	14,873	6,359	9,004
	19,369	23,786	15,025	18,116

Included in corporate private debt securities of the Company are securities issued by subsidiaries amounting to RM2,171,000,000 (2013: RM2,496,000,000).

13. DERIVATIVE ASSETS/LIABILITIES

In RM Mil	Group 2014	Group 2013	Company 2014	Company 2013
Derivative assets				
Non-current				
Forward foreign exchange contracts	-	1	-	-
Current				
Commodity swaps	197	-	-	-
Forward gas contracts	221	60	-	-
Forward foreign exchange contracts	8	114	33	83
Forward oil price contracts	63	1	-	-
	489	175	33	83

13. DERIVATIVE ASSETS/LIABILITIES (continued)

In RM Mil	Note	Group 2014	Group 2013	Company 2014	Company 2013
Derivative assets (continued)					
Included within:					
Long term receivables	11	-	1	-	-
Trade and other receivables	17	489	175	33	83
		489	176	33	83
Derivative liabilities					
Non-current					
Interest rate swaps		-	(4)	-	-
Current					
Commodity swaps		(4)	(25)	-	-
Interest rate swaps		-	(1)	-	-
Forward gas contracts		(129)	(13)	-	-
Forward foreign exchange contracts		(368)	(380)	(21)	(217)
Forward oil price contracts		(207)	(3)	-	-
		(708)	(422)	(21)	(217)
Included within:					
Other long term liabilities and provisions	24	-	(4)	-	-
Trade and other payables	25	(708)	(422)	(21)	(217)
		(708)	(426)	(21)	(217)

In the normal course of business, the Group and the Company enter into derivative financial instruments to manage their normal business exposures in relation to commodity prices, foreign currency exchange rates and interest rates, including management of the balance between floating rate and fixed rate debt, consistent with risk management policies and objectives.

Certain subsidiaries of the Group adopt hedge accounting whereby hedges meeting the criteria for hedge accounting are classified as cash flow hedges. The effective portion of the gain or loss on the hedging instruments is recognised directly in equity until the hedged transaction occurs, while the ineffective portion is recognised in the profit or loss. As at 31 December 2014, the balance recognised under capital reserves in equity amounts to RM249,000,000 (2013: RM161,000,000) while the ineffective portion recognised in profit or loss amounts to RM Nil (2013: loss of RM15,000,000). As these amounts are not material to the Group, no full disclosure of hedge accounting is presented in the Group's financial statements.

14. DEFERRED TAX

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

Group **2014** *In RM Mil*	**At 1.1.2014**	**Charged/ (credited) to profit or loss**	**Acquisition of a subsidiary and an interest in a joint operation**	**Equity**	**Translation exchange difference**	**At 31.12.2014**
Deferred tax liabilities						
Property, plant and equipment	12,807	1,387	1,145	-	73	15,412
Others	378	(473)	-	(217)	13	(299)
	13,185	914	1,145	(217)	86	15,113
Deferred tax assets						
Property, plant and equipment	183	251	251	-	(11)	674
Unused tax losses	(4,901)	(1,021)	(163)	(3)	(90)	(6,178)
Unabsorbed capital allowances	(248)	(206)	(456)	-	-	(910)
Unused reinvestment allowances	(235)	(18)	(223)	-	1	(475)
Unused investment tax allowances	(2,199)	103	9	-	-	(2,087)
Others	(913)	(9)	-	22	(129)	(1,029)
	(8,313)	(900)	(582)	19	(229)	(10,005)

Group **2013** *In RM Mil*	**At 1.1.2013**	**Charged/ (credited) to profit or loss**	**Equity**	**Translation exchange difference**	**At 31.12.2013**
Deferred tax liabilities					
Property, plant and equipment	16,232	(3,652)	-	227	12,807
Others	117	286	(47)	22	378
	16,349	(3,366)	(47)	249	13,185
Deferred tax assets					
Property, plant and equipment	293	(98)	-	(12)	183
Unused tax losses	(5,388)	531	4	(48)	(4,901)
Unabsorbed capital allowances	(283)	33	2	-	(248)
Unused reinvestment allowances	(258)	23	-	-	(235)
Unused investment tax allowances	(1,406)	(793)	-	-	(2,199)
Others	(1,421)	473	17	18	(913)
	(8,463)	169	23	(42)	(8,313)

14. DEFERRED TAX (continued)

Company **2014** *In RM Mil*	**Opening balance**	**Charged/ (credited) to profit or loss**	**Closing balance**
Deferred tax liabilities			
Property, plant and equipment	12	(12)	-
Deferred tax assets			
Unused tax losses	(4,172)	(1,189)	(5,361)
Property, plant and equipment	-	(176)	(176)
Others	(690)	497	(193)
	(4,862)	(868)	(5,730)
2013			
Deferred tax liabilities			
Property, plant and equipment	172	(160)	12
Others	11	(11)	-
	183	(171)	12
Deferred tax assets			
Unused tax losses	(4,614)	442	(4,172)
Others	(501)	(189)	(690)
	(5,115)	253	(4,862)

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

In RM Mil	**Group 2014**	**Group 2013**	**Company 2014**	**Company 2013**
Deferred tax assets				
Deferred tax liabilities	1,534	1,248	-	12
Deferred tax assets	(9,359)	(7,859)	(5,730)	(4,862)
	(7,825)	(6,611)	(5,730)	(4,850)
Deferred tax liabilities				
Deferred tax liabilities	13,579	11,937	-	-
Deferred tax assets	(646)	(454)	-	-
	12,933	11,483	-	-

14. DEFERRED TAX (continued)

No deferred tax has been recognised for the following items:

In RM Mil	2014	Group 2013
Deductible temporary differences	42	63
Unabsorbed capital allowances	564	1,306
Unused tax losses	21,380	13,745
Unused investment tax allowances	73	77
	22,059	15,191

The unabsorbed capital allowances, unused tax losses and unused investment tax allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

The Group and the Company have unused tax losses carried forward of approximately RM47,122,000,000 (2013: RM34,166,000,000) and RM22,338,000,000 (2013: RM17,383,000,000) respectively, which give rise to the recognised and unrecognised deferred tax assets above.

The Group also has unused investment tax allowances and unused reinvestment allowances of approximately RM8,769,000,000 (2013: RM9,239,000,000) and RM1,979,000,000 (2013: RM979,000,000) respectively, which give rise to the recognised and unrecognised deferred tax assets above.

15. CASH AND CASH EQUIVALENTS

In RM Mil	2014	Group 2013	2014	Company 2013
Cash and bank balances	8,527	8,632	1,830	1,685
Deposits placed:				
Banks	108,262	108,486	92,673	79,830
Finance companies	37	-	-	-
	116,826	117,118	94,503	81,515
Less: Subsidiaries' cash with PETRONAS Integrated Financial Shared Service Centre	-	-	(39,060)	(34,641)
	116,826	117,118	55,443	46,874

The Company also manages the cash and cash equivalents on behalf of certain subsidiaries through its Integrated Financial Shared Service Centre in order to allow for more efficient management of cash. The cash and cash equivalents reported in the Company's financial statements do not include the amounts managed on behalf of the subsidiaries.

Included in cash and bank balances of the Group are interest-bearing balances amounting to RM8,374,199,000 (2013: RM8,424,967,000).

Included in cash and bank balances of the Group is an amount of RM Nil (2013: RM1,667,000,000) being fund raised during Initial Public Offering of a subsidiary for the purpose of capital expenditure.

Included in cash and bank balances of the Group are amounts of RM45,212,000 (2013: RM66,957,000) held pursuant to the requirement of the Housing Development (Control and Licensing) Regulations 2002 and are therefore restricted from use in other operations.

15. CASH AND CASH EQUIVALENTS (continued)

Included in deposits placed with banks of the Group is an amount of RM324,393,000 (2013: RM315,850,000) being deposits held under designated accounts for redemption of Islamic Financing Facilities.

Included in deposits placed with banks of the Group is an amount of RM31,068,000 (2013: RM34,466,000) which are restricted for certain payments under the requirements of the borrowing facilities agreement.

16. TRADE AND OTHER INVENTORIES

In RM Mil	Group 2014	Group 2013	Company 2014	Company 2013
Crude oil and condensate	3,252	4,126	297	-
Petroleum products	4,759	6,506	21	25
Petrochemical products	491	560	-	-
Liquefied natural gas	1,785	1,781	151	254
Stores, spares and others	2,041	1,970	-	-
Developed properties held for sale	256	322	-	-
Properties under development	847	842	-	-
	13,431	16,107	469	279

17. TRADE AND OTHER RECEIVABLES

In RM Mil	Group 2014	Group 2013	Company 2014	Company 2013
Trade receivables	30,299	35,804	3,557	6,276
Other receivables, deposits and prepayments	11,921	12,910	2,746	2,672
Amount due from:				
- contract customers	274	1,411	-	-
- subsidiaries*	-	-	16,366	52,456
- associates and joint ventures	827	1,220	31	74
Tax recoverable	5,881	2,069	1,154	-
Finance lease receivables (note 11)	765	983	-	-
Derivative assets (note 13)	489	175	33	83
	50,456	54,572	23,887	61,561
Less: Impairment losses				
Trade receivables	(2,185)	(4,067)	(301)	(1,225)
Amount due from subsidiaries	-	-	(375)	(379)
Other receivables, deposits and prepayments	(433)	(80)	(15)	(15)
	47,838	50,425	23,196	59,942

* The comparative figure has been reclassified to be consistent with current year presentation.

17. TRADE AND OTHER RECEIVABLES (continued)

Amount due from subsidiaries, associates and joint ventures arose in the normal course of business.

Tax recoverable is subject to the agreement with the relevant tax authorities.

Amount due from contract customers:

In RM Mil	2014	Group 2013
Aggregate costs incurred to date	12,911	12,770
Less: Progress billings	(12,637)	(11,359)
	274	1,411

18. ASSETS CLASSIFIED AS HELD FOR SALE

In RM Mil	2014	Group 2013	2014	Company 2013
Land and building	33	23	17	-
Oil and gas properties	1,227	-	-	-
Plant and equipment	3	106	-	-
Intangible assets	37	4	-	-
Other assets	215	11	-	-
	2,288	362	17	-

The above amount represents carrying values of assets owned by the Group and the Company with the intention of disposal in the immediate future.

Fair value information

In accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, some of the assets classified as held for sale were written down to their fair value less costs to sell of RM2,279,000,000 (2013: RM240,569,000).

Fair value of assets classified as held for sale are categorised as follows:

Group *In RM Mil*	2014	Level 3 2013
Vessels	773	218
Land and building	33	23
Oil and gas properties	1,227	-
Intangible assets	37	-
Other assets	209	-
	2,279	241

18. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Fair value information (continued)

The assets classified as held for sale are stated at fair value determined based on the following:

Vessels

The fair value of the vessels and containers are determined based on external industry valuation report and price of the latest transacted sale of comparable vessels or containers in the market or by the Group.

Land and building

The fair value of land and building is determined based on property valuation report by external valuer and latest transacted sale of similar property.

Oil and gas properties, intangible assets and other assets

The fair value of oil and gas properties, intangible assets and other assets are determined based on the contracted price agreed with the purchaser.

19. SHARE CAPITAL

		Company
In RM Mil	**2014**	**2013**
Authorised: 500,000 ordinary shares of RM1,000 each	500	500
Issued and fully paid: 100,000 ordinary shares of RM1,000 each	100	100

20. RESERVES

Pursuant to Section 84 of the Petroleum (Income Tax) Act 1967, dividends paid out of income derived from petroleum operations are not chargeable to tax. The Company has sufficient retained earnings as at 31 December 2014 to distribute dividends out of its petroleum operations, as single tier or exempt dividends.

Capital Reserves

Capital reserves represent primarily reserves created upon issuance of bonus shares and redemption of preference shares by subsidiaries and the Group's share of its associate companies' reserves.

Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries whose functional currencies are different from that of the Company's functional currency as well as foreign currency differences arising from the translation of monetary items that are considered to form part of a net investment in a foreign operation.

20. RESERVES (continued)

Available-for-sale Reserve

This reserve records the changes in fair value of available-for-sale investments. On disposal or impairment, the cumulative changes in fair value are transferred to the profit or loss.

General Reserve

General reserve represents appropriation of retained profits for general purposes rather than for a specific item of future loss or expense. In effect, it is a reserve for unspecified possible events.

21. NON-CONTROLLING INTERESTS

This consists of the non-controlling interests' proportion of share capital and reserves of partly-owned subsidiaries.

22. BORROWINGS

In RM Mil	Group 2014	Group 2013	Company 2014	Company 2013
Non-current				
Secured				
Term loans	918	1,700	-	-
Islamic financing facilities	1,495	1,427	-	-
Total non-current secured borrowings	2,413	3,127	-	-
Unsecured				
Term loans	9,282	5,988	-	-
Notes and Bonds	15,673	16,802	15,673	16,802
Islamic financing facilities	2,704	3,085	-	-
Total non-current unsecured borrowings	27,659	25,875	15,673	16,802
Total non-current borrowings	30,072	29,002	15,673	16,802
Current				
Secured				
Term loans	690	988	-	-
Islamic financing facilities	145	339	-	-
Revolving credits	151	-	-	-
Total current secured borrowings	986	1,327	-	-
Unsecured				
Term loans	726	291	-	-
Notes and Bonds	2,184	2,301	2,184	-
Islamic financing facilities	543	5,816	-	4,931
Revolving credits	2,179	2,576	-	-
Bank overdrafts	144	533	-	-
Total current unsecured borrowings	5,776	11,517	2,184	4,931
Total current borrowings	6,762	12,844	2,184	4,931
Total borrowings	36,834	41,846	17,857	21,733

22. BORROWINGS (continued)

Terms and debt repayment schedule

Group *In RM Mil*	**Total**	**Under 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Secured					
Term loans	1,608	690	164	465	289
Islamic financing facilities	1,640	145	418	980	97
Revolving credits	151	151	-	-	-
	3,399	986	582	1,445	386
Unsecured					
Term loans	10,008	726	790	6,760	1,732
Notes and Bonds	17,857	2,184	-	10,431	5,242
Islamic financing facilities	3,247	543	387	613	1,704
Revolving credits	2,179	2,179	-	-	-
Bank overdrafts	144	144	-	-	-
	33,435	5,776	1,177	17,804	8,678
	36,834	6,762	1,759	19,249	9,064
Company					
Unsecured					
Notes and Bonds	17,857	2,184	-	10,431	5,242

Islamic financing facilities

Details of Islamic financing facilities are included in note 23.

Unsecured term loans

The unsecured term loans obtained by the subsidiaries primarily comprise:

In Mil	**2014**	**2013**
USD Term loans	US$2,599	US$1,048
RM Term loans	-	RM504
EURO Term loans	€441	€442

These unsecured term loans bear interest at rates ranging from 1.00% to 2.08% (2013: 1.00% to 5.20%) per annum and are fully repayable at their various due dates from 2015 to 2024.

22. BORROWINGS (continued)

Unsecured Notes and Bonds

The unsecured Notes and Bonds comprise:

In Mil	2014	2013
USD Notes and Bonds:		
6 1/8% Notes due 2014*	-	US$700
7 3/4% Bonds due 2015 #	US$625	US$625
5 1/4% Guaranteed Notes due 2019^	US$3,000	US$3,000
7 7/8% Notes due 2022^	US$1,000	US$1,000
7 5/8% Bonds due 2026 #	US$500	US$500

* Obtained by a subsidiary.
\# Obtained by the Company.
^ Obtained by the Company via a subsidiary.

Secured term loans

The secured term loans obtained by the subsidiaries primarily comprise:

In Mil	Securities	2014	2013
USD Term loans	Secured by way of a charge over certain vessels and property, plant and equipment, together with assignments of earnings, charter agreements and insurance of the relevant vessels, property, plant and equipment of certain subsidiaries.	US$773	US$1,017
RM Term loans	Secured by way of a charge over certain property, plant and equipment and investment properties, together with assignments of earnings and insurance of the relevant property, plant and equipment of certain subsidiaries.	RM1,373	RM1,685

The secured term loans bear interest at rates ranging from 1.34% to 5.00% (2013: 1.83% to 8.00%) per annum and are fully repayable at their various due dates from 2015 to 2022.

Unsecured revolving credits, bankers' acceptances and bank overdrafts

The unsecured revolving credits, bankers' acceptances and bank overdrafts are obtained by the subsidiaries and primarily bear interest at rates ranging from 0.34% to 8.00% (2013: 0.40% to 8.00%) per annum.

22. BORROWINGS (continued)

In connection with the long term borrowing facility agreements, the Group and the Company have agreed on the following significant covenants with the lenders:

i. not to allow any material indebtedness (the minimum aggregate amount exceeding US$30,000,000 or its equivalent in any other currency) for borrowed money of the Company to become due or capable of being declared due before its stated maturity, any material guarantee of the Company is not discharged at maturity or when validly called or the Company goes into default under, or commits a breach of, any instrument or agreement relating to any such indebtedness for borrowed money or guarantee and such default or breach remains unpaid or unremedied for a period of 30 days;

ii. the Company (not including any of its subsidiaries) not to create, incur or have outstanding any mortgage, pledge, lien, charge, encumbrance or any other lien upon the whole or any part of its property or assets, present or future indebtedness of itself or any other person, unless the aggregate outstanding principal amount of all such secured indebtedness (other than indebtedness secured by the liens already in existence) plus attributable debt of the Company in respect of sales and leaseback transactions would not exceed 10% of the consolidated net tangible assets; and

iii. the Company (not including any of its subsidiaries) not to enter into any sale and leaseback transaction, unless the attributable debt in respect of such sale and leaseback transaction and all other sale and leaseback transaction plus the aggregate outstanding principal amount of indebtedness for borrowed money secured by security interests (other than permitted security interests) then outstanding which have not equally and rateably secured the total outstanding would not exceed 10% of the Company's tangible net worth provided that, within 12 months after such sale and leaseback transaction, it applies to the retirement of indebtedness for borrowed money the repayment obligations in respect of which are at least pari passu with its repayment obligations hereunder and which are not secured by any security interest, an amount equal to the greater of:

   - the net proceeds of the sale or transfer of the property or other assets which are the subject of such sale and leaseback transaction as determined by the Company; or

   - the fair market value of the property or other assets so leased as determined by the Company.

23. ISLAMIC FINANCING FACILITIES

Secured Islamic Financing Facilities

The secured Islamic financing facilities obtained by the subsidiaries comprise:

In RM Mil	**2014**	**2013**
Al Bai'bithaman Ajil Facilities	300	300
Bai' Al-Dayn Note Issuance Facilities	85	85
Murabahah Medium Term Notes	2,510	2,200

23. ISLAMIC FINANCING FACILITIES (continued)

Secured Islamic Financing Facilities (continued)

The secured Islamic financing facilities bear a yield payable ranging from 4.41% to 6.72% (2013: 4.00% to 6.72%) per annum and are fully repayable at their various due dates from 2015 to 2022.

The Islamic financing facilities are secured by way of a charge over certain property, plant and equipment and investment properties.

Unsecured Islamic Financing Facilities

The unsecured Islamic financing facilities obtained by the subsidiaries comprise:

In Mil	2014	2013
Murabahah Note Issuance Facilities	RM321	RM2,800
Sukuk Musyarakah	RM5,100	RM3,982
Ijarah Muntahiyah Bit Tamleek	-	RM660
Bai' Al-Dayn Note Issuance Facilities	RM122	RM83
Trust Certificates^	-	US$1,500

^ Obtained by the Company via a subsidiary.

The unsecured Islamic financing facilities bear a yield payable ranging from 3.53% to 7.35% (2013: 3.48% to 6.72%) per annum and are fully repayable at their various due dates from 2015 to 2023.

In the prior years, the Company has obtained the above Trust Certificates financing via a subsidiary of the Group (referred to as special purpose vehicle or "SPV"). In relation to this financing arrangement, certain subsidiaries sold their beneficial ownership of property, plant and equipment ("sukuk assets") with a carrying amount of RM Nil (2013: RM2,063,000,000) 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. The Company has fully paid the Trust Certificates upon its maturity in August 2014.

24. OTHER LONG TERM LIABILITIES AND PROVISIONS

		Group		Company
In RM Mil	2014	2013	2014	2013
Provision for decommissioning of:				
- oil and gas properties	19,578	19,758	16,002	16,780
- other property, plant and equipment	319	306	-	-
Financial guarantees	452	454	504	526
Derivative liabilities (note 13)	-	4	-	-
Others	11,003	7,984	9,142	6,317
	31,352	28,506	25,648	23,623

Provision for decommissioning of oil and gas properties and other property, plant and equipment is recognised when there is an obligation to decommission and remove a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reasonable estimate of that liability can be made.

24. OTHER LONG TERM LIABILITIES AND PROVISIONS (continued)

The provision recognised is the present value of the estimated future costs determined in accordance with local conditions and requirements net of, in the case of oil and gas properties, amounts received and estimated future funds receivable from contractors pursuant to the terms of the various production sharing contracts that the Company has entered into.

A corresponding asset of an amount equivalent to the provision is also created. This asset is depreciated in accordance with the policy set out in note 2.4. The increase in the present value of the provision for the expected costs due to the passage of time is included within finance costs.

Most of these removal events are many years in the future and the precise requirements that will have to be met when the removal events actually occur are uncertain. Because actual timing and net cash outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, the carrying amounts of provisions, together with the interest rate used in discounting the cash flows and inflation rate, are regularly reviewed and adjusted to take into account of such changes. The interest rate and inflation rate used to determine the obligation as at 31 December 2014 was 4.29% (2013: 4.32%) per annum and 2.90% (2013: 3.30%) per annum respectively. Changes in the expected future costs are reflected in both the provision and the asset.

The movement of provision for decommissioning during the financial year are as follows:

In RM Mil	**Group**	**Company**
At 1 January 2014	20,064	16,780
Net changes in provision	(1,107)	(1,502)
Provision utilised	(3)	-
Unwinding of discount	871	724
Translation exchange difference	72	-
At 31 December 2014	19,897	16,002

Net changes in provision include foreign exchange gains or losses arising from retranslation of the provision and are adjusted against the carrying amount of the corresponding asset accordingly.

During the year, the Company revised its estimated future costs of decommissioning of oil and gas properties resulting from changes in estimated cash flows. The revision was accounted for prospectively as a change in accounting estimates resulting in the following:

i. decrease in other long term liabilities and provisions by RM2,380,000,000;
ii. decrease in cost of property, plant and equipment by RM604,000,000; and
iii. increase in net profits by RM1,776,000,000.

25. TRADE AND OTHER PAYABLES

		Group		**Company**
In RM Mil	**2014**	**2013**	**2014**	**2013**
Trade payables	24,843	29,102	891	2,493
Other payables	33,388	34,223	11,739	13,383
Amount due to:				
- Subsidiaries*	-	-	8,592	10,875
- Associates and joint ventures	1,186	1,043	35	42
Derivative liabilities (note 13)	708	422	21	217
	60,125	64,790	21,278	27,010

* The comparative figure has been reclassified to be consistent with current year presentation.

25. TRADE AND OTHER PAYABLES (continued)

Included in other payables of the Group are security deposits of RM130,230,000 (2013: RM103,689,000) mainly held in zrespect of tenancies of a shopping centre and office buildings. These deposits are refundable upon termination of the respective lease agreements.

Also included in trade payables of the Group are retention sums on construction contracts amounting to RM154,202,000 (2013: RM159,431,000).

Amount due to subsidiaries, associates and joint ventures arose in the normal course of business.

26. GROSS PROFIT

In RM Mil	Group 2014	Group 2013	Company 2014	Company 2013
Revenue				
- sales of oil and gas	303,718	294,715	97,222	92,228
- others	5,070	5,990	10,282	12,313
	308,788	300,705	107,504	104,541
- rendering of services	6,614	3,829	15	68
- shipping and shipping related services	6,402	6,147	-	-
- sale and rental of properties	2,810	2,358	-	-
	15,826	12,334	15	68
- dividend income				
in Malaysia (Quoted)				
- subsidiaries	-	-	2,692	3,289
- associates	-	-	33	40
- investments	6	5	6	5
in Malaysia (Unquoted)				
- subsidiaries	-	-	22,994	17,814
- investments	21	21	21	21
outside Malaysia (Quoted)				
- investments	232	244	-	-
outside Malaysia (Unquoted)				
- joint ventures	-	-	30	73
	259	270	25,776	21,242
- interest income	4,275	4,005	2,720	2,814
	329,148	317,314	136,015	128,665
Cost of revenue				
- cost of sales	(206,469)	(194,646)	(71,432)	(68,341)
- cost of services	(9,955)	(10,135)	-	-
	(216,424)	(204,781)	(71,432)	(68,341)
Gross profit	112,724	112,533	64,583	60,324

27. OPERATING PROFIT

In RM Mil	Group 2014	Group 2013	Company 2014	Company 2013
Included in operating profit are the following charges:				
Audit fees	32	30	2	2
Amortisation of:				
- intangible assets	6,470	2,496	-	-
- prepaid lease payments	43	45	-	-
Bad debts written-off:				
- trade and other receivables	137	4	120	-
- receivables from subsidiaries	-	-	4	-
Contribution to Tabung Amanah Negara	1,000	2,000	1,000	2,000
Depreciation of property, plant and equipment and investment properties	20,742	22,880	2,415	1,472
Impairment losses on:				
- property, plant and equipment	21,860	5,962	923	233
- intangible assets	1,923	1,199	-	-
- investments in associates and joint ventures	1,087	186	-	-
- trade and other receivables	441	1,411	-	1,180
- loan and advances to a joint venture	40	-	-	-
- investments in subsidiaries	-	-	147	536
- other investments	575	-	-	-
Inventories written down to net realisable value	476	27	-	-
Net loss on foreign exchange	1,842	700	-	-
Operating lease rental	1,497	1,467	627	563
Property, plant and equipment written off	217	449	145	418
Rental of:				
- plant, machinery, equipment and motor vehicles	568	549	16	10
- land and buildings	457	480	29	19
Research and development expenditure	24	94	2	-
Staff costs:				
- wages, salaries and others	8,666	7,946	1,273	1,097
- contributions to Employee's Provident Fund	920	798	204	182

27. OPERATING PROFIT (continued)

In RM Mil	Group 2014	Group 2013	Company 2014	Company 2013
and credits:				
Gain on bargain purchase	974	-	-	-
Gain on disposal/partial disposal of:				
- other investment	240	288	-	-
- property, plant and equipment	976	947	-	62
- associates	-	92	-	-
- subsidiaries	175	-	-	-
Interest income - others	552	373	4,488	3,415
Rental income on land and buildings	483	447	314	306
Write back of impairment losses on:				
- property, plant and equipment	1,161	1,673	-	-
- intangible assets	99	89	-	-
- trade and other receivables	723	-	-	12
- investments in subsidiaries	-	-	-	159
- loan and advances to subsidiaries	-	-	6	345
Net gain on foreign exchange	-	-	3,469	2,289

28. TAX EXPENSE

In RM Mil	Group 2014	Group 2013	Company 2014	Company 2013
Current tax expenses				
Malaysia				
Current year	29,475	30,234	14,846	15,187
Prior year	(1,088)	(1,001)	(192)	(538)
Overseas				
Current year	1,705	2,662	-	-
Prior year	(28)	(26)	-	-
Total current tax expenses	30,064	31,869	14,654	14,649
Deferred tax expenses				
Origination and reversal of temporary differences	(2,038)	(3,748)	(500)	(824)
Under/(over) provision in prior year	2,052	551	(380)	906
Total deferred tax expenses	14	(3,197)	(880)	82
Total tax expenses	30,078	28,672	13,774	14,731

28. TAX EXPENSE (continued)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

In RM Mil	%	2014	%	2013
Group				
Profit before taxation		77,691		94,258
Taxation at Malaysian statutory tax rate	25	19,423	25	23,565
Effect of different tax rates in foreign jurisdictions	1	690	-	(100)
Effect of different tax rates between corporate income tax and petroleum income tax	6	4,538	7	6,420
Effect of changes in tax rates	1	418	-	268
Non deductible expenses, net of non assessable income	3	2,729	2	1,589
Tax exempt income	-	(295)	(2)	(1,991)
Tax incentives	-	(167)	(1)	(976)
Effect of net utilisation deferred tax benefits previously not recognised	2	1,648	-	70
Foreign exchange translation difference	-	158	-	303
	38	29,142	31	29,148
Under/(over) provision in prior years		936		(476)
Tax expense		30,078		28,672
Company				
Profit before taxation		67,807		60,309
Taxation at Malaysian statutory tax rate	25	16,952	25	15,077
Effect of different tax rates between corporate income tax and petroleum income tax	7	4,845	8	5,055
Effect of changes in tax rates	-	54	-	172
Non assessable income, net of non deductible expenses	(2)	(1,061)	(1)	(780)
Tax exempt income	(10)	(6,444)	(9)	(5,161)
	20	14,346	23	14,363
(Over)/under provision in prior years		(572)		368
Tax expense		13,774		14,731

29. DIVIDENDS

In RM Mil	2014	Company 2013
Ordinary:		
Final:		
Tax exempt dividend of RM220,000 (2013: RM270,000) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967 in respect of financial year 31 December 2013 (2013: 31 December 2012)	22,000	27,000
Interim:		
First tax exempt dividend of RM20,000 (2013: RM50,000) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967 in respect of financial year 31 December 2014 (2013: 31 December 2013)	2,000	5,000
	24,000	32,000
Interim:		
Second tax exempt dividend of RM40,000 (2013: Nil) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967 in respect of financial year 31 December 2014	4,000	-

The second tax exempt interim dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM40,000 per ordinary share amounting to RM4 billion in respect of the financial year ended 31 December 2014, has not been accounted for in the financial statements.

Proposed:		
Final:		
Tax exempt dividend of RM220,000 (2013: RM220,000) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967 in respect of financial year 31 December 2014 (2013: 31 December 2013)	22,000	22,000

The proposed tax exempt final dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM220,000 per ordinary share amounting to RM22 billion in respect of the financial year ended 31 December 2014, has not been accounted for in the financial statements.

30. NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES

The cash (used in)/generated from investing activities comprise:

In RM Mil	Group 2014	Group 2013	Company 2014	Company 2013
Acquisition of:				
- subsidiaries, net of cash acquired (note 32)	(2,076)	-	(1,999)	-
- interest in a joint operation, net of cash acquired (note 32)	(4,411)	-	-	-
- additional shares in subsidiaries	-	-	(414)	(6,201)
Dividends received	1,928	271	29,946	20,462
Investment in:				
- associates, joint ventures and unquoted companies	(294)	(644)	-	(75)
- securities	(4,850)	(3,818)	(4,112)	(3,451)
Long term receivables and advances (to)/repaid from:				
- subsidiaries	-	-	(1,459)	(5,058)
- associates and joint ventures	45	(317)	-	-
Other long term receivables	15	(882)	-	-
Proceeds from disposal/partial disposal of:				
- investment in subsidiaries, net of cash disposed (note 33)	12	-	-	-
- investment in associates	-	9	-	-
- property, plant and equipment, prepaid lease payments and intangible assets	8,905	5,055	1	110
- securities and other investment	7,793	8,460	7,465	5,437
Purchase of property, plant and equipment, investment properties, prepaid lease payments and intangible assets	(64,648)	(56,555)	(1,631)	(1,865)
Redemption of preference shares in subsidiaries	-	-	40	-
	(57,581)	(48,421)	27,837	9,359

31. NET CASH USED IN FINANCING ACTIVITIES

The cash used in financing activities comprise:

In RM Mil	Group 2014	Group 2013	Company 2014	Company 2013
Dividends paid	(29,000)	(27,539)	(29,000)	(27,539)
Dividends paid to non-controlling interests	(12,160)	(8,954)	-	-
Drawdown of:				
- Islamic financing facilities	937	822	-	-
- term loans, notes and bonds	5,175	6,532	-	-
- revolving credits and bankers' acceptances	2,335	5,052	-	-
Repayment of:				
- Islamic financing facilities	(6,833)	(554)	-	-
- term loans, notes and bonds	(5,200)	(8,616)	(4,746)	(512)
- revolving credits and bankers' acceptances	(2,971)	(3,944)	-	-
Proceeds from shares issued to non-controlling interests	171	62	-	-
	(47,546)	(37,139)	(33,746)	(28,051)

32. ACQUISITION OF INTEREST IN JOINT OPERATION & SUBSIDIARIES

Acquisition of interest in Talisman Sasol Montney Partnership

On 12 March 2014, the Group via its wholly-owned subsidiary, Progress Energy Canada Ltd. ("PECL"), acquired a 50% interest in assets and facilities in Talisman Sasol Montney Partnership, as well as a 100% interest in Montney assets in the Foothills of British Columbia for a total purchase consideration of CAD1,495 million (approximately RM4,411 million). Subsequently, the Talisman Sasol Montney Partnership was renamed as Progress Sasol Montney Partnership ("PSMP") and has been accounted for as a joint operation. The net profit contributed by PSMP from the date of acquisition to 31 December 2014 is not material in relation to the Group's consolidated net profit for the year.

The effect of acquisition of Talisman Sasol Montney Partnership on the cash flows and fair values of assets and liabilities acquired at date of acquisition are as follows:

In RM Mil	Carrying amount representing fair value at acquisition date
Property, plant and equipment	2,043
Intangible assets	3,653
Other assets	11
Deferred tax liabilities	(1,145)
Other liabilities	(151)
	4,411
Purchase consideration, representing cash flow on acquisition of interest in joint operation (note 30)	4,411

32. ACQUISITION OF INTEREST IN JOINT OPERATION & SUBSIDIARIES (continued)

Acquisition of Phillips 66's interest in Malaysian Refining Company

On 11 November 2014, the Company entered into an agreement with Phillips 66 Asia Limited, a subsidiary of Phillips 66, to acquire its 47% interest in Malaysian Refining Company Sdn. Bhd. ("MRC") for a cash consideration of USD635 million with working capital adjustments at completion. Full control of MRC has been deemed to be obtained on 31 December 2014 and MRC has been accounted for as a subsidiary. Completion adjustments are expected to be finalised in 2015.

Acquisition of other subsidiaries

During the financial year, the Group also acquired several other companies for a total purchase consideration of RM102 million. As a result, these companies became subsidiaries of the Group. The net profits contributed by these subsidiaries from the date of acquisition to 31 December 2014 is not material in relation to the consolidated net profit for the year.

The net effect of acquisitions of subsidiaries on the cash flows and fair values of assets and liabilities acquired are as follows:

In RM Mil	**Carrying amount representing fair value at acquisition date**
Property, plant and equipment	2,005
Cash and cash equivalents	28
Borrowings	(287)
Other assets	1,373
Deferred tax assets	582
Other liabilities	(625)
	3,076
Less: Interest previously held as investment in joint venture	(10)
Gain on bargain purchase	(974)
Add: Goodwill on consolidation	12
Purchase consideration	2,104
Less: Cash and cash equivalents of subsidiaries acquired	(28)
Cash flow on acquisition of subsidiaries, net of cash acquired (note 30)	2,076

33. DISPOSAL OF SUBSIDIARIES

During the financial year, the Group also disposed several subsidiaries for a total consideration of RM153 million. The net profit contributed by these subsidiaries from 1 January 2014 to the date of disposal is not material in relation to the consolidated net profit of the Group for the period.

The net effect of the above disposals of subsidiaries on the cash flows and carrying amount of net assets and liabilities disposed are as follows:

In RM Mil	**Carrying amount at disposal date**
Property, plant and equipment	592
Investment properties	67
Cash and cash equivalents	141
Assets classified as held for sale	13
Other assets	6
Minority shareholders interest at the date of acquisitions	(184)
Other liabilities	(137)
	498
Less: Interest held as investment in joint venture and associate	(520)
Add: Gain on disposals of subsidiaries	175
Proceeds from disposal of subsidiaries	153
Less: Cash and cash equivalents of subsidiary	(141)
Cash flow on disposal of subsidiaries, net of cash disposed (note 30)	12

34. SIGNIFICANT EVENTS

Sale of interests in Canadian assets

On 25 March 2014 and 17 July 2014, the Group via its wholly-owned subsidiary PECL, sold an additional 10% and 15% interest in North Montney Joint Venture ("NMJV") British Columbia assets and in the proposed Pacific NorthWest LNG ("PNWLNG") export facility to subsidiaries of Indian Oil Corporation Ltd and China Petrochemical Corporation ("SINOPEC") respectively.

As part of the transaction, the purchasers have agreed to offtake future liquefied natural gas production equivalent to their pro-rata interest in the partnership for a period of 20 years. With the completion of the above sales, the Group now holds 62% interest in NMJV British Columbia assets and PNWLNG export facility.

Acquisition of interest in Statoil's Shah Deniz assets

On 13 October 2014, the Group via its wholly-owned subsidiaries, PETRONAS Azerbaijan Shah Deniz SARL and PETRONAS South Caucasus SARL entered into a Purchase and Sale Agreement with Statoil Shah Deniz A.S and Statoil Azerbaijan A.S to acquire 15.5% participating interest in Shah Deniz Exploration, Development and Production Sharing Agreement and South Caucasus Pipeline Company, which is subject to relevant approvals. The transaction is expected to be completed in 2015.

35. OPERATING LEASES

Leases as lessor

The Group via its subsidiary has entered into non-cancellable operating lease agreements for Government Office Buildings ("GOB") in accordance with the Concession Agreement ("CA") with the Government of Malaysia. Under the CA, the Group will construct various parcels of GOB on land belonging to the Government. Upon completion of each parcel, the Government will execute a 25-year lease agreement over the land of the said parcel to the Group. Simultaneously, the Group will sub-lease over the same land and buildings to the Government for the same period in return for lease rentals based on predetermined rates per square foot per month.

These leases have remaining period of non-cancellable lease terms between 10 and 23 years.

The future minimum lease receivable under non-cancellable operating leases contracted for as at the reporting date but not recognised as receivables are as follows:

		Group
In RM Mil	**2014**	**2013**
Less than one year	2,580	2,044
Between one and five years	8,653	6,422
More than five years	15,464	17,082
	26,697	25,548

Leases as lessee

Total future minimum lease payments under non-cancellable operating leases are as follows:

		Group		Company
In RM Mil	**2014**	**2013**	**2014**	**2013**
Less than one year	1,525	959	483	436
Between one and five years	3,334	2,656	1,991	1,805
More than five years	609	1,647	3,750	4,189
	5,468	5,262	6,224	6,430

36. COMMITMENTS

Outstanding commitments in respect of capital expenditure at the end of the reporting year not provided for in the financial statements are:

In RM Mil	Group 2014	Group 2013	Company 2014	Company 2013
Property, plant and equipment				
Approved and contracted for				
Less than one year	39,826	28,514	2,382	6,459
Between one and five years	50,641	41,241	10,874	18,808
	90,467	69,755	13,256	25,267
Approved but not contracted for				
Less than one year	17,924	10,678	19	599
Between one and five years	30,111	30,472	-	-
More than five years	-	213	-	-
	48,035	41,363	19	599
	138,502	111,118	13,275	25,866
Share of capital expenditure of joint venture				
Approved and contracted for				
Less than one year	7,756	11,152	-	-
Between one and five years	899	1,011	-	-
More than five years	703	699	-	-
	9,358	12,862	-	-
Approved but not contracted for				
Less than one year	4,419	5,064	-	-
Between one and five years	18,624	24,479	-	-
More than five years	170	549	-	-
	23,213	30,092	-	-
	32,571	42,954	-	-
Total commitments	171,073	154,072	13,275	25,866

37. CONTINGENT LIABILITIES

In RM Mil	Group 2014	Group 2013	Company 2014	Company 2013
Secured				
Guarantees extended to third parties	53	53	-	-
Unsecured				
Guarantees extended to third parties	388	480	-	-
Claims filed by/disputes with various parties	84	29	53	-
Contingent payments	82	92	-	-
	554	601	53	-

37. CONTINGENT LIABILITIES (continued)

Material litigation

The legal suit brought against the Company by the Kelantan State Government in 2010 in respect of payment of petroleum proceeds under the terms of the agreement dated 9 May 1975 entered into between the Kelantan State Government and PETRONAS is still on-going as at the reporting date. PETRONAS has been advised by its solicitors that PETRONAS has a meritorious defence to the claim.

In 2012, certain individuals ("plaintiffs") filed a legal suit against PETRONAS and the State Government of Sabah wherein the plaintiffs are seeking a declaration that the agreement dated 14 June 1976 entered into between the State Government of Sabah and PETRONAS is ultra vires and null and void; and a declaration that the Petroleum Development Act of 1974 is also ultra vires and null and void. On 15 January 2014, the High Court of Sabah and Sarawak at Kota Kinabalu struck out the plaintiffs' suit with costs. The plaintiffs have not filed an appeal to the Court of Appeal, thus bringing the suit to an end.

Other guarantees

Other than those disclosed elsewhere in the financial statements, the Group and the Company had entered into agreements which may include agreements to provide guarantees to third parties for the benefit of subsidiaries, associates and joint ventures ("Guaranteed Entities"). Such unsecured guarantees are normally provided in support of the Guaranteed Entities' normal and on-going business requirements, consistent with generally acceptable and recognised industry practices. The liability of the Group and the Company is therefore contingent and would only trigger upon the default of the Guaranteed Entities' obligation under the guarantee.

38. RELATED PARTY DISCLOSURES

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa. Related parties may be individuals or other entities.

The Company's related parties include key management personnel, subsidiaries, associates, joint ventures as well as the Government of Malaysia and its related entities as the Company is wholly-owned by the Government of Malaysia.

Key management personnel compensation

	Group and Company	
In RM Mil	**2014**	**2013**
Directors remuneration:		
- Fees	4	4
- Emoluments	34	29

The estimated monetary value of Directors' benefits-in-kind is RM167,000 (2013: RM204,000).

38. RELATED PARTY DISCLOSURES (continued)

Significant transactions with related parties

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

Group

In RM Mil	**2014**	**2013**
Federal and State Governments of Malaysia:		
Petroleum proceeds	12,003	12,089
Lease income receivable	1,329	1,264
Sales of petroleum products	400	388
Government of Malaysia's related entities:		
Sales of petroleum products, processed gas and utilities	11,329	8,740
Associate companies:		
Sales of petrochemical products, processed gas and utilities	4,567	3,975
Purchase of petrochemical products, processed gas and utilities	(102)	(104)
Lease and rental expenses	(275)	(302)
Joint ventures:		
Sales of petrochemical products, processed gas, petroleum products and general merchandise	40	407
Interest receivable from joint ventures	57	26
Gas processing fee payable	(174)	(165)
Other expenses	(232)	(197)
Other income	307	603

Company

	2014	2013
Federal and State Governments of Malaysia:		
Petroleum proceeds	12,003	12,089
Government of Malaysia's related entities:		
Sales of processed gas	6,809	4,362
Subsidiaries:		
Sales of crude oil, petroleum products, processed gas and natural gas	57,279	57,437
Interest receivable from subsidiaries	4,179	3,397
Purchase of crude oil, natural gas and liquefied natural gas	(36,754)	(37,003)
Gas processing fee payable	(3,365)	(3,084)
Research cess	184	170
Supplemental payments	4,977	6,049
Contribution to fund	144	150
Associate companies:		
Sales of processed gas	2,281	1,952
Joint ventures:		
Gas processing fee payable	(174)	(165)

Information regarding outstanding balances arising from related party transactions as at 31 December 2014 are disclosed in note 11, note 17 and note 25.

38. RELATED PARTY DISCLOSURES (continued)

Significant transactions with related parties (continued)

Information regarding impairment losses on receivables and bad debts written off during the financial year are disclosed in note 27.

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on a commercial basis.

39. OPERATING SEGMENTS

Effective 2014, the reportable operating segments now comprise Upstream, Downstream, and Corporate and others. The change in the reportable operating segments is in line with the change in the way the Group's businesses are managed. Accordingly, the Group has restated the operating segment information for the prior years. The Group's reportable segments, as described below, 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:

- Upstream - activities include operations previously under Exploration and Production i.e. oil and natural gas exploration, development and production, together with related pipeline and transportation activities. Beginning 2014, this segment now includes purchase and liquefaction of natural gas, 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. Beginning 2014, this segment now includes gas processing operations and power business.

- Corporate and Others - remains unchanged, 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 profit after tax ("PAT"), as included in the internal management reports. Segment PAT is used to measure performance as the Executive Committee believes that such information is the most relevant in evaluating the results of the segments.

The basis of measurement of segment performance have changed from Group's audited consolidated financial statements for the year ended 31 December 2013. Previously, segment performance was measured based on segment Net Operating Profit After Tax ("NOPAT") which is derived from net profit after excluding financing cost, share of profits of associates and joint ventures, and other non-operating income and expenses. Comparative information with regards to segment performance have been restated following the change accordingly.

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.

39. OPERATING SEGMENTS (continued)

Group **2014** *In RM Mil*	**Upstream**	**Downstream**	**Corporate and Others**	**Consolidation adjustments and eliminations**	**Total**
Revenue					
Third parties	165,257	150,363	13,528	-	329,148
Inter-segment	32,133	7,099	4,066	(43,298)	-
Total revenue	197,390	157,462	17,594	(43,298)	329,148
Reportable segment profit	32,380	5,743	5,848	3,642	47,613
Included in the measure of segment profit are:					
Depreciation and amortisation	(21,510)	(3,426)	(2,319)	-	(27,255)
Impairment losses	(22,264)	(19)	(240)	-	(22,523)
Tax expense	(27,668)	(1,646)	(303)	(461)	(30,078)
Segment assets	314,502	104,934	155,769	(37,718)	537,487
Included in the measure of segment assets are:					
Investments in associates and joint ventures	4,056	2,372	6,038	-	12,466
Additions to non-current assets other than financial instruments and deferred tax assets	53,423	9,665	3,379	-	66,467

39. OPERATING SEGMENTS (continued)

Group 2013 Restated *In RM Mil*	**Upstream**	**Downstream**	**Corporate and Others**	**Consolidation adjustments and eliminations**	**Total**
Revenue					
Third parties	147,332	157,256	12,726	-	317,314
Inter-segment	35,945	6,847	3,153	(45,945)	-
Total revenue	183,277	164,103	15,879	(45,945)	317,314
Reportable segment profit	52,166	8,314	2,668	2,438	65,586
Included in the measure of segment profit are:					
Depreciation and amortisation	(20,324)	(2,976)	(2,121)	-	(25,421)
Impairment losses	(5,303)	(8)	(88)	-	(5,399)
Tax expense	(25,477)	(1,637)	(1,294)	(264)	(28,672)
Segment assets	305,981	99,785	144,059	(21,165)	528,660
Included in the measure of segment assets are:					
Investments in associates and joint ventures	4,939	1,917	5,219	-	12,075
Additions to non-current assets other than financial instruments and deferred tax assets	45,454	7,101	3,638	-	56,193

39. OPERATING SEGMENTS (continued)

Products and services segments

The following are revenue from external customers by products and services:

Group *In RM Mil*	**2014**	**2013**
Petroleum products	109,495	110,471
Crude oil and condensates	66,180	66,137
Liquefied natural gas	74,777	67,794
Sales and natural gas	38,866	35,014
Petrochemicals	14,400	15,299
Shipping services	6,402	6,147
Investment income	4,275	4,005
Others	14,753	12,447
	329,148	317,314

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments (including investment in associates and joint ventures) and deferred tax assets.

Group	**Revenue**	
In RM Mil	**2014**	**2013**
Asia	109,246	107,850
Malaysia	78,117	75,615
Japan	52,669	50,094
South Africa	28,257	29,705
Rest of the world	60,859	54,050
	329,148	317,314

Group	**Non-current assets**	
In RM Mil	**2014**	**2013**
Malaysia	214,454	203,464
Asia	21,192	27,826
Rest of the world	69,135	60,209
	304,781	291,499

Major customers

As at 31 December 2014 and 31 December 2013, there are no major customers that contribute to more than 10 percent of Group revenue.

40. PETROLEUM ARRANGEMENTS

The Petroleum Development Act, 1974 vests the entire ownership, rights, powers, liberties and privileges of exploiting petroleum resources on land and offshore Malaysia in PETRONAS.

The exploitation by PETRONAS of petroleum resources is carried out primarily by means of production sharing contracts ("PSCs") between PETRONAS subsidiaries and other oil and gas companies. Under the terms of the various PSCs that PETRONAS has entered into, the PSC Contractors bear all the costs. The PSC Contractors may recover their costs in barrels of crude oil or gas equivalent in accordance with the terms of their respective PSCs.

Certain terms of the PSCs are:

i. Research cess, supplemental payments and crude oil or gas entitlement

The determination of research cess, supplemental payments, and PETRONAS' and the contractors' entitlements to crude oil or gas produced subsequent to 31 December 1992 have been based on the returns submitted by contractors and is dependent on agreement being reached on the method of valuation of crude oil or gas and the quantum of costs incurred and claimed by contractors subject to the maximum rate provided under the production sharing contracts for the year. PETRONAS' entitlements to crude oil and natural gas are taken up as income on the basis of liftings and sales respectively made by the Company.

ii. Property, plant and equipment

Title to all equipment and other assets purchased or acquired by PSC Contractors exclusively for the purpose of petroleum operations, and which costs are recoverable in barrels of cost oil or gas equivalent, is vested with PETRONAS. However, the values of these assets are not taken up in the financial statements of PETRONAS other than:

- the property, plant and equipment of a subsidiary which is also a contractor to PETRONAS under certain PSCs; and
- the estimated costs of decommissioning and removing the assets and restoring the site on which they are located where there is an obligation to do so.

iii. Inventories

Title to all crude oil held in inventories by the PSC Contractors lies with PETRONAS and title to the contractors' entitlement passes only upon delivery at point of export.

40. PETROLEUM ARRANGEMENTS (continued)

The exploitation of petroleum resources is also carried out by means of risk service contracts ("RSCs"). Under the terms of the RSCs, RSC Contractors provide services for the development and production of oil and gas resources on behalf of PETRONAS.

Certain terms of the RSCs are:

i. Cost reimbursement and remuneration fees

   RSC Contractors incur all upfront costs and will be reimbursed upon first commercial production. Under the terms of the RSCs, PETRONAS owns the title to all equipment and other assets purchased or acquired by the RSC Contractors for the purpose of petroleum operations. The values of these assets are taken up in the financial statements of PETRONAS upon incurrence, together with the estimated costs of decommissioning the assets where there is an obligation to do so.

   Contractors are also entitled to remuneration fees which commensurate with their performance under the contract. All payments of remuneration fees are recognised as expenditures in PETRONAS' financial statements.

ii. Production

   All barrels of crude oil and gas produced belongs to PETRONAS and inventories, if any, are taken up in the financial statements of PETRONAS.

41. FINANCIAL INSTRUMENTS

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

i. Loans and receivables ("L&R")
ii. Fair value through profit or loss ("FVTPL")
   - Designated upon initial recognition ("DUIR")
   - Held for trading ("HFT")
iii. Available-for-sale financial assets ("AFS")
iv. Loans and borrowings ("L&B")
v. Held-to-maturity investments ("HTM")

41. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments (continued)

Group **2014** *In RM Mil*	**Note**	**L&R/ (L&B)**	**FVTPL - DUIR**	**FVTPL - HFT**	**AFS**	**HTM**	**Total carrying amount**
Financial assets							
Long term receivables	*	12,377	-	-	-	-	12,377
Fund and other investments	12	719	6,530	-	4,535	7,585	19,369
Trade and other receivables	*	39,635	-	489	-	-	40,124
Cash and cash equivalents	15	116,826	-	-	-	-	116,826
		169,557	6,530	489	4,535	7,585	188,696
Financial liabilities							
Borrowings	22	(36,834)	-	-	-	-	(36,834)
Other long term liabilities	*	(1,527)	-	-	-	-	(1,527)
Trade and other payables	*	(44,818)	-	(708)	-	-	(45,526)
		(83,179)	-	(708)	-	-	(83,887)
2013							
Financial assets							
Long term receivables	*	10,081	-	1	-	-	10,082
Fund and other investments	12	742	8,979	-	6,376	7,689	23,786
Trade and other receivables	*	47,072	-	175	-	-	47,247
Cash and cash equivalents	15	117,118	-	-	-	-	117,118
		175,013	8,979	176	6,376	7,689	198,233
Financial liabilities							
Borrowings	22	(41,846)	-	-	-	-	(41,846)
Other long term liabilities	*	(454)	-	(4)	-	-	(458)
Trade and other payables	*	(59,881)	-	(422)	-	-	(60,303)
Dividend payable		(5,000)	-	-	-	-	(5,000)
		(107,181)	-	(426)	-	-	(107,607)

* 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.

41. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments (continued)

Company **2014** *In RM Mil*	**Note**	**L&R/ (L&B)**	**FVTPL - DUIR**	**FVTPL - HFT**	**AFS**	**HTM**	**Total carrying amount**
Financial assets							
Long term receivables	*	123,741	-	-	-	-	123,741
Fund and other investments	12	-	5,709	-	726	8,590	15,025
Trade and other receivables	*	21,794	-	33	-	-	21,827
Cash and cash equivalents	15	55,443	-	-	-	-	55,443
		200,978	5,709	33	726	8,590	216,036
Financial liabilities							
Borrowings	22	(17,857)	-	-	-	-	(17,857)
Other long term liabilities	*	(1,579)	-	-	-	-	(1,579)
Trade and other payables	*	(21,232)	-	(21)	-	-	(21,253)
		(40,668)	-	(21)	-	-	(40,689)
2013							
Financial assets							
Long term receivables	11	85,756	-	-	-	-	85,756
Fund and other investments	12	-	8,524	-	556	9,036	18,116
Trade and other receivables	* @	59,859	-	83	-	-	59,942
Cash and cash equivalents	15	46,874	-	-	-	-	46,874
		192,489	8,524	83	556	9,036	210,688
Financial liabilities							
Borrowings	22	(21,733)	-	-	-	-	(21,733)
Other long term liabilities	*	(526)	-	-	-	-	(526)
Trade and other payables	* @	(26,793)	-	(217)	-	-	(27,010)
Dividend payable		(5,000)	-	-	-	-	(5,000)
		(54,052)	-	(217)	-	-	(54,269)

* These balances exclude non-financial instruments balances.

@ The comparative figures have been reclassified to be consistent with current year presentation.

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.

41. FINANCIAL INSTRUMENTS (continued)

Financial risk management

As an integrated oil and gas company, the Group and the Company are exposed to various risks that are particular to its core business of upstream and downstream operations. These risks, which arise in the normal course of the Group's and of the Company's business, comprise credit risk, liquidity risk and market risk relating to interest rates, foreign currency exchange rates, equity prices and commodity prices.

The Group has policies and guidelines in place that sets the foundation for a consistent approach towards establishing an effective financial risk management across the PETRONAS Group.

The Group and the Company's goal in risk management are to ensure that the management understands, measures and monitors the various risks that arise in connection with their operations. Policies and guidelines have been developed to identify, analyse, appraise and monitor the dynamic risks facing the Group and the Company. Based on this assessment, each business unit adopts appropriate measures to mitigate these risks in accordance with the business unit's view of the balance between risk and reward.

Credit risk

Credit risk is the potential exposure of the Group and of the Company to losses in the event of non-performance by counterparties. The Group and the Company's exposures to credit risk arise principally from their receivables from customers, fund and other investments and financial guarantees given to financial institutions for credit facilities granted to subsidiaries, joint ventures and associates. Credit risks are controlled by individual operating units in line with PETRONAS' policies and guidelines.

Receivables

The Group and the Company minimise credit risk by entering into contracts with highly credit rated counterparties. Potential counterparties are subject to credit assessment and approval prior to any transaction being concluded and existing counterparties are subject to regular reviews, including re-appraisal and approval of granted limits. The creditworthiness of counterparties is assessed based on an analysis of all available quantitative and qualitative data regarding business risks and financial standing, together with the review of any relevant third party and market information. Reports are prepared and presented to the management that cover the Group's overall credit exposure against limits and securities, exposure by segment and overall quality of the portfolio.

Depending on the types of transactions and counterparty creditworthiness, the Group and the Company further mitigate and limit risks related to credit by requiring collateral or other credit enhancements such as cash deposits, letter of credit and bank guarantees.

Exposure to losses increases with concentrations of credit risk which may exist when a number of counterparties are involved in similar activities or operate in the same industry sector or geographical area, which may result in their ability to meet contractual obligations being impacted by changes in economic, political or other conditions. The Group's principal customers with which it conducts business are located globally and there is no significant concentration of credit risk at reporting date.

41. FINANCIAL INSTRUMENTS (continued)

Receivables (continued)

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is equal to the carrying amount. The ageing of trade receivables net of impairment amount as at the end of the reporting period is analysed below:

In RM Mil	**2014**	**Group 2013**	**2014**	**Company 2013**
At net				
Current	24,713	29,248	2,765	4,221
Past due 1 to 30 days	1,585	974	320	329
Past due 31 to 60 days	315	560	42	121
Past due 61 to 90 days	196	416	8	295
Past due more than 90 days	1,305	539	121	85
	28,114	31,737	3,256	5,051
Representing:				
Trade receivables (note 17)	30,299	35,804	3,557	6,276
Less: Impairment losses (note 17)	(2,185)	(4,067)	(301)	(1,225)
	28,114	31,737	3,256	5,051

With respect to the Group's and the Company's trade receivables, there are no indications as of the reporting date that the debtors will not meet their payment obligations except for impairment losses recognised below.

The movements in the allowance for impairment losses of trade receivables during the year are as follows:

In RM Mil	**2014**	**Group 2013**	**2014**	**Company 2013**
Opening balance	4,067	2,533	1,225	45
Impairment (reversal)/loss recognised	(642)	1,327	-	1,180
Impairment written off/adjustments	(1,344)	(11)	(924)	-
Translation exchange difference	104	218	-	-
Closing balance	2,185	4,067	301	1,225

41. FINANCIAL INSTRUMENTS (continued)

Fund and other investments

The Group and the Company are also exposed to counterparty credit risk from financial institutions, government and corporate counterparties through fund and other investment activities comprising primarily money market placement and investments in bonds, and equities. These exposures are managed in accordance with existing policies and guidelines that define the parameters within which the investment activities shall be undertaken in order to achieve the Group's investment objective of preserving capital and generating optimal returns above appropriate benchmarks within allowable risk parameters.

Investments are only made with approved counterparties who met the appropriate rating and other relevant criteria, and within approved credit limits, as stipulated in the policies and guidelines. The treasury function is governed by a counterparty credit risk management framework.

As at the reporting date, the Group and the Company have invested 94% (2013: 95%) and 99% (2013: 99%) of the investments in domestic securities respectively.

The fund and other investments are unsecured, however, in view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligation.

Financial guarantees

The Group and the Company provide unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries, associates and joint ventures ("Group entities"). The Group and the Company monitor on an ongoing basis, the results of the Group entities and repayments made by the Group entities.

The maximum exposure to credit risk for the Group and the Company amounted to RM455,378,000 (2013: RM736,960,000) and RM2,291,941,000 (2013: RM2,712,000,000) respectively, which represents the outstanding banking facilities of the Group entities as at reporting date. As at reporting date, there was no indication that any Group entities would default on repayment. The fair value of the financial guarantee recognised is disclosed in note 24.

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Group's business activities may not be available. In managing its liquidity risk, the Group maintains sufficient cash and liquid marketable assets. The Company's current credit rating enables it to access banking facilities in excess of current and immediate future requirements of the Group and of the Company. The Group's borrowing power is not limited by its Articles of Association. However, certain covenants included in agreements impose limited restrictions on some of the debt level of PETRONAS' subsidiaries.

Maturity analysis

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the reporting date based on undiscounted contractual payments:

41. FINANCIAL INSTRUMENTS (continued)

Maturity analysis (continued)

Group **2014** *In RM Mil*	**Carrying amount**	**Contractual interest/ profit rates per annum %**	**Contractual cash flows**	**Within 1 year**
Loans and borrowings				
Secured Term Loans				
USD fixed rate loan	257	5.00	258	258
USD floating rate loan	738	1.34	833	71
RM fixed rate loan	371	4.44	385	351
RM floating rate loan	181	4.46	212	33
Other fixed rate loan	55	4.81	61	9
Other floating rate loan	6	7.00	6	1
Unsecured Term Loans				
USD floating rate loan	7,610	1.37	8,151	687
GBP floating rate loan	333	2.08	334	-
EURO floating rate loan	1,871	1.34	1,970	54
Other fixed rate loan	69	4.35	70	51
Other floating rate loan	125	8.94	140	87
Unsecured Notes and Bonds				
USD Notes	3,495	7.88	5,529	275
USD Guaranteed Notes	10,431	5.25	13,024	550
USD Bonds	3,931	7.69	5,608	2,423
Secured revolving credits				
CAD revolving credits	151	4.15	157	157
Unsecured revolving credits				
RM revolving credits	744	3.84	836	836
GBP revolving credits	1,235	2.00	1,260	1,260
Other revolving credits	200	3.85	208	208
Unsecured bank overdrafts				
EURO bank overdrafts	10	0.60	10	10
ZAR bank overdrafts	67	6.00	70	70
Other bank overdrafts	67	11.04	75	75
Secured Islamic financing facilities				
RM Islamic financing facilities	1,640	5.47	1,867	240
Unsecured Islamic financing facilities				
RM Islamic financing facilities	3,247	4.14	3,935	688
Other long term liabilities	1,075	-	2,961	269
Trade and other payables	44,818	-	44,818	44,818
Fair value through profit or loss – held for trading				
Derivative liabilities	708	-	708	708
	83,435		93,486	54,189

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41. FINANCIAL INSTRUMENTS (continued)

Maturity analysis (continued)

Group **2014** *In RM Mil*	**1-2 years**	**2-5 years**	**More than 5 years**
Loans and borrowings			
Secured Term Loans			
USD fixed rate loan	-	-	-
USD floating rate loan	127	382	253
RM fixed rate loan	13	21	-
RM floating rate loan	32	88	59
Other fixed rate loan	10	32	10
Other floating rate loan	5	-	-
Unsecured Term Loans			
USD floating rate loan	882	5,158	1,424
GBP floating rate loan	-	-	334
EURO floating rate loan	27	1,888	1
Other fixed rate loan	16	3	-
Other floating rate loan	20	32	1
Unsecured Notes and Bonds			
USD Notes	275	826	4,153
USD Guaranteed Notes	550	11,924	-
USD Bonds	133	400	2,652
Secured revolving credits			
CAD revolving credits	-	-	-
Unsecured revolving credits			
RM revolving credits	-	-	-
GBP revolving credits	-	-	-
Other revolving credits	-	-	-
Unsecured bank overdrafts			
EURO bank overdrafts	-	-	-
ZAR bank overdrafts	-	-	-
Other bank overdrafts	-	-	-
Secured Islamic financing facilities			
RM Islamic financing facilities	477	1,043	107
Unsecured Islamic financing facilities			
RM Islamic financing facilities	511	815	1,921
Other long term liabilities	269	808	1,615
Trade and other payables	-	-	-
Fair value through profit or loss – held for trading			
Derivative liabilities	-	-	-
	3,347	23,420	12,530

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41. FINANCIAL INSTRUMENTS (continued)

Maturity analysis (continued)

Group **2013** *In RM Mil*	**Carrying amount**	**Contractual interest/ profit rates per annum %**	**Contractual cash flows**	**Within 1 year**
Loans and borrowings				
Secured Term Loans				
USD fixed rate loan	420	5.00	453	197
USD floating rate loan	953	2.09	1,041	134
RM fixed rate loan	506	6.48	543	495
RM floating rate loan	549	4.05	601	59
Other fixed rate loan	56	4.79	71	2
Other floating rate loan	204	7.93	213	201
Unsecured Term Loans				
USD floating rate loan	3,275	1.31	3,550	66
RM floating rate loan	176	4.40	183	81
EURO floating rate loan	2,099	1.32	2,133	83
Other fixed rate loan	318	3.00	323	80
Other floating rate loan	411	3.34	422	46
Unsecured Notes and Bonds				
USD Notes	5,591	7.16	7,864	2,631
USD Guaranteed Notes	9,811	5.25	12,781	518
USD Bonds	3,701	7.69	5,564	285
Unsecured revolving credits				
RM revolving credits	1,224	3.65	1,269	1,269
GBP revolving credits	1,243	1.91	1,266	1,266
Other revolving credits	109	5.10	115	115
Unsecured bank overdrafts				
EURO bank overdrafts	33	0.52	33	33
ZAR bank overdrafts	442	6.00	468	468
Other bank overdrafts	58	15.04	67	67
Secured Islamic financing facilities				
RM Islamic financing facilities	1,766	5.52	2,048	427
Unsecured Islamic financing facilities				
USD Islamic financing facilities	4,931	4.25	5,064	5,064
RM Islamic financing facilities	3,970	4.32	5,008	1,127
Trade and other payables	59,881	-	59,881	59,881
Dividend payable	5,000	-	5,000	5,000
Fair value through profit or loss – held for trading				
Derivative liabilities	426	-	426	422
	107,153		116,387	80,017

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41. FINANCIAL INSTRUMENTS (continued)

Maturity analysis (continued)

Group **2013** *In RM Mil*	**1-2 years**	**2-5 years**	**More than 5 years**
Loans and borrowings			
Secured Term Loans			
USD fixed rate loan	152	104	-
USD floating rate loan	186	444	277
RM fixed rate loan	13	35	-
RM floating rate loan	367	89	86
Other fixed rate loan	24	32	13
Other floating rate loan	5	2	5
Unsecured Term Loans			
USD floating rate loan	54	3,430	-
RM floating rate loan	102	-	-
EURO floating rate loan	3	2,047	-
Other fixed rate loan	64	176	3
Other floating rate loan	23	13	340
Unsecured Notes and Bonds			
USD Notes	259	777	4,197
USD Guaranteed Notes	518	1,555	10,190
USD Bonds	2,281	376	2,622
Unsecured revolving credits			
RM revolving credits	-	-	-
GBP revolving credits	-	-	-
Other revolving credits	-	-	-
Unsecured bank overdrafts			
EURO bank overdrafts	-	-	-
ZAR bank overdrafts	-	-	-
Other bank overdrafts	-	-	-
Secured Islamic financing facilities			
RM Islamic financing facilities	168	1,351	102
Unsecured Islamic financing facilities			
USD Islamic financing facilities	-	-	-
RM Islamic financing facilities	213	2,060	1,608
Trade and other payables	-	-	-
Dividend payable	-	-	-
Fair value through profit or loss – held for trading			
Derivative liabilities	4	-	-
	4,436	12,491	19,443

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41. FINANCIAL INSTRUMENTS (continued)

Maturity analysis (continued)

Company **2014** *In RM Mil*	**Carrying amount**	**Contractual interest/ profit rates per annum %**	**Contractual cash flows**	**Within 1 year**
Loans and borrowings				
Unsecured Notes and Bonds				
USD Notes	3,495	7.88	5,529	275
USD Guaranteed Notes	10,431	5.25	13,024	550
USD Bonds	3,931	7.69	5,608	2,423
Other long term liabilities	1,075	-	2,961	269
Trade and other payables	21,232	-	21,232	21,232
Fair value through profit or loss – held for trading				
Derivative liabilities	21	-	21	21
	40,185		48,375	24,770

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2013				
Loans and borrowings				
Unsecured Notes and Bonds				
USD Notes	3,290	7.88	5,464	259
USD Guaranteed Notes	9,811	5.25	12,781	518
USD Bonds	3,701	7.69	5,564	285
Unsecured Islamic financing facilities				
USD Islamic financing facilities	4,931	4.25	5,064	5,064
Trade and other payables	26,793	-	26,793	26,793
Dividend payable	5,000	-	5,000	5,000
Fair value through profit or loss – held for trading				
Derivative liabilities	217	-	217	217
	53,743		60,883	38,136

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41. FINANCIAL INSTRUMENTS (continued)

Maturity analysis (continued)

Company **2014** *In RM Mil*	**1-2 years**	**2-5 years**	**More than 5 years**
Loans and borrowings			
Unsecured Notes and Bonds			
USD Notes	275	826	4,153
USD Guaranteed Notes	550	11,924	-
USD Bonds	133	400	2,652
Other long term liabilities	269	808	1,615
Trade and other payables	-	-	-
Fair value through profit or loss – held for trading			
Derivative liabilities	-	-	-
	1,227	13,958	8,420

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2013			
Loans and borrowings			
Unsecured Notes and Bonds			
USD Notes	259	777	4,169
USD Guaranteed Notes	518	1,555	10,190
USD Bonds	2,281	376	2,622
Unsecured Islamic financing facilities			
USD Islamic financing facilities	-	-	-
Trade and other payables	-	-	-
Dividend payable	-	-	-
Fair value through profit or loss – held for trading			
Derivative liabilities	-	-	-
	3,058	2,708	16,981

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Market risk

Market risk is the risk or uncertainty arising from change 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, includes interest rates, foreign currency exchange rates, commodity prices, equity prices and other indices that could adversely affect the value of the Group's and the Company's financial assets, liabilities or expected future cash flows.

41. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The Group's and the Company's investments in fixed rate debt securities and fixed rate borrowings are exposed to a risk of change in their fair values due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

All interest rate exposures are monitored and managed proactively in line with PETRONAS' policies and guidelines. The Group enters into hedging transactions with respect to interest rate on certain long term borrowings and other debts where necessary and appropriate, in accordance with policies and guidelines.

The interest rate profile of the Group's and the Company's interest-bearing financial instruments based on carrying amount as at reporting date is as follows:

	Group		Company	
In RM Mil	**2014**	**2013**	**2014**	**2013**
Fixed rate instruments				
Financial assets	130,598	133,620	156,873	117,677
Financial liabilities	(32,456)	(36,475)	(18,958)	(21,733)
	98,142	97,145	137,915	95,944
Floating rate instruments				
Financial assets	2,150	1,753	25,983	31,430
Financial liabilities	(4,378)	(5,376)	-	-
	(2,228)	(3,623)	25,983	31,430

Since most of the Group's and the Company's financial assets and liabilities are fixed rate instruments measured at amortised cost, a change in interest rate is not expected to have material impact on the Group's and the Company's profit or loss.

Foreign exchange risk

The Group and the Company are exposed to varying levels of foreign exchange risk when they enter into transactions that are not denominated in the respective companies' functional currencies and when foreign currency monetary assets and liabilities are translated at the reporting date. The main underlying economic currencies of the Group's cash flows are Ringgit Malaysia and US Dollars.

The Group and the Company's foreign exchange management policy are to minimise economic and significant transactional exposures arising from currency movements. The Group coordinates the handling of foreign exchange risks centrally typically by matching receipts and payments for the same currency. For major capital projects, the Group performs assessment of potential foreign exchange risk exposure at the investment decision phase to determine the appropriate foreign exchange risk management strategy. Residual net positions are actively managed and monitored against prescribed policies and control procedures. When deemed necessary and appropriate, the Group will enter into derivative financial instruments to hedge and minimise its exposures to the foreign currency movements.

41. FINANCIAL INSTRUMENTS (continued)

Foreign exchange risk (continued)

The Group's and the Company's significant exposure to foreign currency risk, based on carrying amounts as at the reporting date is as follows:

Group

In RM Mil	**2014**	**2013**
Denominated in USD		
Financial assets		
Loan and advances to subsidiaries	23,330	53,356
Cash and cash equivalents	10,877	8,692
Trade and other receivables	17,535	12,551
Long term receivables	43	299
Fund and other investments	261	243
Other financial assets	11	91
	52,057	75,232
Financial liabilities		
Loan and advances from holding company	(1,457)	(33,892)
Borrowings	(19,603)	(22,012)
Trade and other payables	(8,432)	(10,633)
Other financial liabilities	(24,664)	(21,170)
	(54,156)	(87,707)
Net exposure	(2,099)	(12,475)
Denominated in MYR		
Financial assets		
Cash and cash equivalents	997	5,222
Trade and other receivables	941	1,136
	1,938	6,358
Financial liabilities		
Trade and other payables	(2,943)	(7,536)
Net exposure	(1,005)	(1,178)

41. FINANCIAL INSTRUMENTS (continued)

Foreign exchange risk (continued)

Group

In RM Mil	**2014**	**2013**
Denominated in AUD		
Financial assets		
Cash and cash equivalents	336	437
Trade and other receivables	11	10
Fund and other investments	75	133
	422	580
Financial liabilities		
Trade and other payables	(304)	(297)
Other financial liabilities	(110)	(188)
	(414)	(485)
Net exposure	8	95

Company

In RM Mil	**2014**	**2013**
Denominated in USD		
Financial assets		
Loan and advances to subsidiaries	84,698	48,941
Cash and cash equivalents	10,200	8,106
Trade and other receivables	6,311	32,930
Fund and other investments	201	187
	101,410	90,164
Financial liabilities		
Cash and cash equivalents- Subsidiaries' cash with PETRONAS Integrated Financial Shared Service Centre	(23,028)	(20,700)
Borrowings	(17,857)	(21,733)
Trade and other payables	(5,271)	(5,784)
Other financial liabilities	(1,527)	(454)
	(47,683)	(48,671)
Net exposure	53,727	41,493

Sensitivity analysis for a given market variable provided in this note, discloses the effect on profit or loss and equity as at 31 December 2014 assuming that a reasonably possible change in the relevant market variable had occurred at 31 December 2014 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.

41. FINANCIAL INSTRUMENTS (continued)

Foreign exchange risk (continued)

The sensitivity analysis is hypothetical and should not be considered to be predictive of future performance because the Group's actual exposure to market prices is constantly changing with changes in the Group's portfolio of among others, commodity, debt and foreign currency contracts. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the relationship between the change in market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a given market variable is calculated independently of any change in another assumption and mitigating actions that would be taken by the Group. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities.

The following table demonstrates the indicative pre-tax effects on the profit or loss and equity of applying reasonably foreseeable market movements in the following currency exchange rates:

2014	**Appreciation in foreign currency rate**		**Group**		**Company**
In RM Mil	**%**	**Reserve**	**Profit or loss**	**Reserve**	**Profit or loss**
USD	5	3,273	(3,580)	-	2,686
MYR	5	-	(56)	-	-
2013					
USD	5	1,856	(2,881)	-	2,075
MYR	5	-	(59)	-	-
AUD	5	-	14	-	-

A depreciation in foreign currency rate above would have had equal but opposite effect, on the basis that all other variables remain constant.

Equity price risk

Equity price risk arises from the Group's and the Company's investments in equity securities. The Group and the Company have Investment Guidelines in place to minimise their exposures on price risk. Permitted investment in terms of allowable financial instruments, minimum credit rating and markets are stipulated in the Investment Guidelines. The Group and the Company monitors the equity investments on a portfolio basis and a performance benchmark is established for each investment portfolio giving consideration to portfolio objectives and return expectation. All buy and sell decisions are monitored by the Group Treasury Division.

The Group and the Company also hold equity investment for strategic purposes, that are classified as available-for-sale financial assets. Reports on the equity portfolio performance are submitted to the Group's and the Company's senior management on a regular basis.

41. FINANCIAL INSTRUMENTS (continued)

Equity price risk (continued)

The Group's and the Company's exposure to equity price risk based on carrying amounts as at the reporting date is as follows:

In RM Mil	Group 2014	Group 2013	Company 2014	Company 2013
Local equities	867	909	300	247
Foreign equities	3,262	5,075	-	-
	4,129	5,984	300	247

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:

2014 *In RM Mil*	**Increase in price based on average change in index rate %**	**Group Reserve**	**Group Profit or loss**	**Company Reserve**	**Company Profit or loss**
Local equities	15	56	74	45	-
Foreign equities	15 to 20	489	-	-	-
2013					
Local equities	15	88	48	37	-
Foreign equities	15 to 20	766	-	-	-

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.

41. FINANCIAL INSTRUMENTS (continued)

Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Group 2014	**Fair value of financial instruments carried at fair value**		
In RM Mil	**Level 1**	**Level 2**	**Total**
Financial Assets			
Quoted shares	4,105	24	4,129
Short term marketable securities	-	400	400
Quoted securities	27	597	624
Malaysian Government Securities	-	1,194	1,194
Corporate Private Debt Securities	-	4,246	4,246
Commodity swaps	-	197	197
Forward foreign exchange contracts	-	8	8
Forward gas contracts	221	-	221
Forward oil price contracts	63	-	63
	4,416	6,666	11,082
Financial Liabilities			
Forward foreign exchange contracts	-	(368)	(368)
Commodity swaps	-	(4)	(4)
Forward gas contracts	(129)	-	(129)
Forward oil price contracts	(207)	-	(207)
	(336)	(372)	(708)

41. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

Group 2014 *In RM Mil*	Fair value of financial instruments not carried at fair value			**Carrying amount**
	Level 2	**Level 3**	**Total**	
Financial assets				
Unquoted securities	-	719	719	719
Corporate Private Debt Securities	7,573	-	7,573	5,502
Unquoted shares	-	472	472	472
Malaysian Government Securities	2,031	-	2,031	2,083
Long term receivables	-	2,458	2,458	2,698
Finance lease receivables	-	9,679	9,679	9,679
	9,604	13,328	22,932	21,153
Financial liabilities				
Notes and Bonds	(20,766)	-	(20,766)	(17,857)
Term loans	-	(11,846)	(11,846)	(11,616)
Islamic financing facilities	-	(4,778)	(4,778)	(4,887)
Other long term liabilities	-	(1,199)	(1,199)	(1,527)
	(20,766)	(17,823)	(38,589)	(35,887)

Group 2013 *In RM Mil*	Fair value of financial instruments carried at fair value		
	Level 1	**Level 2**	**Total**
Financial Assets			
Quoted shares	5,984	-	5,984
Short term marketable securities	-	233	233
Quoted securities	25	1,061	1,086
Malaysian Government Securities	-	3,232	3,232
Corporate Private Debt Securities	-	4,363	4,363
Forward foreign exchange contracts	-	115	115
Forward gas contracts	60	-	60
Forward oil price contracts	1	-	1
	6,070	9,004	15,074
Financial Liabilities			
Interest rate swaps	-	(5)	(5)
Forward foreign exchange contracts	-	(380)	(380)
Commodity swaps	-	(25)	(25)
Forward gas contracts	(13)	-	(13)
Forward oil price contracts	(3)	-	(3)
	(16)	(410)	(426)

41. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

Group **2013** *In RM Mil*	**Fair value of financial instruments not carried at fair value**			**Carrying amount**
	Level 2	**Level 3**	**Total**	
Financial assets				
Unquoted securities	-	742	742	742
Corporate Private Debt Securities	4,987	-	4,987	5,031
Unquoted shares	-	457	457	457
Malaysian Government Securities	2,599	-	2,599	2,658
Long term receivables	-	2,952	2,952	3,536
Finance lease receivables	-	6,545	6,545	6,545
	7,586	10,696	18,282	18,969
Financial liabilities				
Notes and Bonds	(21,692)	-	(21,692)	(19,103)
Term loans	-	(8,979)	(8,979)	(8,967)
Islamic financing facilities	(5,036)	(5,873)	(10,909)	(10,667)
Other long term liabilities	-	(273)	(273)	(454)
	(26,728)	(15,125)	(41,853)	(39,191)

Company **2014** *In RM Mil*	**Fair value of financial instruments carried at fair value**		
	Level 1	**Level 2**	**Total**
Financial assets			
Quoted shares	300	-	300
Short term marketable securities	-	350	350
Quoted securities	-	201	201
Malaysian Government Securities	-	1,194	1,194
Corporate Private Debt Securities	-	4,314	4,314
Forward foreign exchange contracts	-	33	33
	300	6,092	6,392
Financial liabilities			
Forward foreign exchange contracts	-	(21)	(21)

41. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

Company **2014** *In RM Mil*	Fair value of financial instruments not carried at fair value			Carrying amount
	Level 2	**Level 3**	**Total**	
Financial assets				
Unquoted shares	-	76	76	76
Malaysian Government Securities	2,011	-	2,011	2,063
Corporate Private Debt Securities	6,495	-	6,495	6,527
Long term receivables	-	127,996	127,996	123,741
	8,506	128,072	136,578	132,407
Financial liabilities				
Notes and Bonds	(20,766)	-	(20,766)	(17,857)
Other long term liabilities	-	(1,199)	(1,199)	(1,579)
	(20,766)	(1,199)	(21,965)	(19,436)

Company **2013** *In RM Mil*	Fair value of financial instruments carried at fair value		
	Level 1	**Level 2**	**Total**
Financial assets			
Quoted shares	247	-	247
Short term marketable securities	-	233	233
Quoted securities	-	187	187
Malaysian Government Securities	-	3,225	3,225
Corporate Private Debt Securities	-	5,112	5,112
Forward foreign exchange contracts	-	83	83
	247	8,840	9,087
Financial liabilities			
Forward foreign exchange contracts	-	(217)	(217)

41. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

Company **2013** *In RM Mil*	**Fair value of financial instruments carried at fair value** Level 2	Level 3	Total	**Carrying amount**
Financial assets				
Unquoted shares	-	76	76	76
Malaysian Government Securities	2,579	-	2,579	2,638
Corporate Private Debt Securities	6,353	-	6,353	6,398
Long term receivables	-	86,732	86,732	85,756
	8,932	86,808	95,740	94,868
Financial liabilities				
Notes and Bonds	(19,439)	-	(19,439)	(16,802)
Islamic financing facilities	(5,036)	-	(5,036)	(4,931)
Other long term liabilities	-	(273)	(273)	(526)
	(24,475)	(273)	(24,748)	(22,259)

Derivatives

The calculation of fair value for derivative financial instruments depends on the type of instruments. The fair value of interest rate swap agreements are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument. The fair value of forward foreign currency exchange contracts is based on the fair value difference between forward exchange rates and the contracted rate. The fair value of commodity swap and commodity forward contracts is based on the fair value difference between market price at the date of measurement and the contracted price.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Income/(expense), net gains and losses arising from financial instruments

Group **2014** *In RM Mil*	**Interest income**	**Interest expense**	**Impairment loss**	**Others**	**Total**
Financial instruments at fair value through profit or loss					
- Held for trading	-	-	-	2	2
- Designated upon initial recognition	356	-	-	(7)	349
Held-to-maturity	409	-	-	-	409
Available-for-sale					
- recognised in profit or loss	-	-	(575)	563	(12)
- recognised in equity	-	-	575	(2,130)	(1,555)
Loans and receivables					
- recognised in profit or loss	4,062	-	242	(519)	3,785
- recognised in equity	-	-	-	4,549	4,549
Financial liabilities at amortised cost	-	(2,138)	-	(1,333)	(3,471)
Total	4,827	(2,138)	242	1,125	4,056
2013					
Financial instruments at fair value through profit or loss					
- Held for trading	-	-	-	(3)	(3)
- Designated upon initial recognition	283	-	-	(64)	219
Held-to-maturity	416	-	-	-	416
Available-for-sale					
- recognised in profit or loss	-	-	-	475	475
- recognised in equity	-	-	-	(1,103)	(1,103)
Loans and receivables					
- recognised in profit or loss	3,679	-	(1,411)	1,075	3,343
- recognised in equity	-	-	-	3,828	3,828
Financial liabilities at amortised cost	-	(2,152)	-	(1,490)	(3,642)
Total	4,378	(2,152)	(1,411)	2,718	3,533

41. FINANCIAL INSTRUMENTS (continued)

Income/(expense), net gains and losses arising from financial instruments (continued)

Company **2014** *In RM Mil*	**Interest income**	**Interest expense**	**Impairment loss**	**Others**	**Total**
Financial instruments at fair value through profit or loss					
- Designated upon initial recognition	279	-	-	11	290
Held-to-maturity	367	-	-	-	367
Available-for-sale					
- recognised in profit or loss	-	-	-	27	27
- recognised in equity	-	-	-	53	53
Loans and receivables	6,562	-	-	4,419	10,981
Financial liabilities at amortised cost	-	(1,418)	-	(965)	(2,383)
Total	7,208	(1,418)	-	3,545	9,335
2013					
Financial instruments at fair value through profit or loss					
- Held for trading	-	-	-	59	59
- Designated upon initial recognition	227	-	-	20	247
Held-to-maturity	405	-	-	-	405
Available-for-sale					
- recognised in profit or loss	-	-	-	21	21
- recognised in equity	-	-	-	98	98
Loans and receivables	5,597	-	(1,180)	4,374	8,791
Financial liabilities at amortised cost	-	(1,142)	-	(1,619)	(2,761)
Total	6,229	(1,142)	(1,180)	2,953	6,860

Others relate to gains and losses arising from financial instruments other than interest income, interest expense and impairment loss such as realised and unrealised foreign exchange gains or losses, dividend income and fair value gains or losses.

42. 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 so as to enable compliance with all covenants.

There were no changes in the Group's approach to capital management during the year.

43. ADOPTION OF PRONOUNCEMENTS

As of 1 January 2014, the Group and the Company adopted the following pronouncements that have been issued by the MASB and are applicable as listed below:

Effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 136 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to MFRS 139 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
IC Interpretation 21 *Levies*

The initial adoption of the abovementioned pronouncements do not have any material impact to the financial statements of the Group and the Company.

44. PRONOUNCEMENTS YET IN EFFECT

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and the Company in these financial statements:

Effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 3 *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
Amendments to MFRS 8 *Operating Segments (Annual Improvements 2010-2012 Cycle)*
Amendments to MFRS 13 *Fair Value Measurement (Annual Improvements 2011-2013 Cycle)*
Amendments to MFRS 116 *Property, Plant And Equipment (Annual Improvements 2010-2012 Cycle)*
Amendments to MFRS 119 *Employee Benefits – Defined Benefit Plans: Employee Contributions*
Amendments to MFRS 124 *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
Amendments to MFRS 138 *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
Amendments to MFRS 140 *Investment Property (Annual Improvement 2011-2013 Cycle)*

Effective for annual periods beginning on or after 1 January 2016

Amendments to MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
Amendments to MFRS 7 *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
Amendments to MFRS 10 *Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to MFRS 11 *Joint Arrangement: Accounting For Acquisition of Interests in Joint Operations*
Amendments to MFRS 101 *Presentation of Financial Statements: Disclosure Initiative*
Amendments to MFRS 116 *Property, Plant And Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to MFRS 119 *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
Amendments to MFRS 127 *Separate Financial Statements: Equity Method in Separate Financial Statements*
Amendments to MFRS 128 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to MFRS 134 *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*
Amendments to MFRS 138 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation*

44. PRONOUNCEMENTS YET IN EFFECT (continued)

Effective for annual periods beginning on or after 1 January 2017

MFRS 15 *Revenue from Contracts with Customers*

Effective for annual periods beginning on or after 1 January 2018

MFRS 9 *Financial Instruments (2014)*

The Group and the Company are expected to adopt the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the abovementioned pronouncements are not expected to have any material impact to the financial statements of the Group and the Company except as mentioned below:

i. MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

ii. MFRS 9 *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

45. NEW PRONOUNCEMENTS NOT APPLICABLE TO THE GROUP AND THE COMPANY

The MASB has issued pronouncements 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 2014

Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*

Amendments to MFRS 2 *Share-based Payment (Annual Improvements 2010-2012 Cycle)*

Effective for annual periods beginning on or after 1 January 2016

Amendments to MFRS 10 *Consolidated Financial Statements – Investment Entities: Applying the Consolidation Exception*

Amendments to MFRS 12 *Disclosure of Interests in Other Entities – Investment Entities: Applying the Consolidation Exception*

MFRS 14 *Regulatory Deferral Accounts*

Amendments to MFRS 116 *Property, Plant and Equipment – Agriculture: Bearer Plants*

Amendments to MFRS 128 *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*

Amendments to MFRS 141 *Agriculture – Agriculture: Bearer Plants*

46. KEY SUBSIDIARIES AND ACTIVITIES

	Effective Percentage Holding		Country of Incorporation	Principal Activities
	2014 %	2013 %		
* PETRONAS Carigali Sdn. Bhd.	100	100	Malaysia	Petroleum exploration, development and production
PETRONAS Carigali Chad Exploration & Production Inc.	100	100	Cayman Islands	Investment holding
PETRONAS Carigali (Chad EP) Inc.	100	100	Cayman Islands	Petroleum operations
PETRONAS Chad Marketing Inc.	100	100	Cayman Islands	Trading of petroleum products
PETRONAS Carigali Overseas Sdn. Bhd.	100	100	Malaysia	Investment holding and petroleum operations
PETRONAS Carigali Iraq Holding B.V.	100	100	Netherlands	Petroleum operations
∞* PETRONAS International Corporation Ltd.	100	100	Malaysia	Investment holding
PC JDA Limited	100	100	Republic of Mauritius	Petroleum operations
PC Vietnam Limited	100	100	Republic of Mauritius	Petroleum operations
PETRONAS Australia Pty Limited	100	100	Australia	Investment holding
PAPL (Upstream) Pty Limited	100	100	Australia	Exploration and production of coal seam gas
PAPL (Downstream) Pty Limited	100	100	Australia	Production and transportation of liquefied natural gas for export
PETRONAS Carigali (Jabung) Ltd.	100	100	Bahamas	Petroleum operations
PETRONAS Carigali Myanmar Inc.	100	100	Liberia	Petroleum operations
PETRONAS Carigali Nile Ltd.	100	100	Republic of Mauritius	Petroleum operations

46. KEY SUBSIDIARIES AND ACTIVITIES (continued)

	Effective Percentage Holding 2014 %	Effective Percentage Holding 2013 %	Country of Incorporation	Principal Activities
PETRONAS (E&P) Overseas Ventures Sdn. Bhd.	100	100	Malaysia	Investment holding
PETRONAS Carigali Canada B.V.	100	100	Netherlands	Investment holding
Progress Energy Canada Ltd.	100	100	Canada	Petroleum and gas exploration, development and production
PETRONAS Carigali (Turkmenistan) Sdn. Bhd.	100	100	Malaysia	Petroleum operations
∞ PICL (Egypt) Corporation Ltd.	100	100	Malaysia	Investment holding, exploration and production of oil and gas
∞ PETRONAS LNG Ltd.	100	100	Malaysia	Trading of natural gas and LNG
PETRONAS Energy Trading Limited	100	100	United Kingdom	Trading of natural gas and LNG
PETRONAS LNG (UK) Limited	100	100	United Kingdom	Trading of natural gas and LNG
* Malaysia LNG Sdn. Bhd.	90	90	Malaysia	Liquefaction and sale of LNG
* Malaysia LNG Dua Sdn. Bhd.	60	60	Malaysia	Liquefaction and sale of LNG
* Malaysia LNG Tiga Sdn. Bhd.	60	60	Malaysia	Liquefaction and sale of LNG
* PETRONAS LNG 9 Sdn. Bhd.	100	100	Malaysia	Selling, marketing and distribution of LNG
∞* PETRONAS Floating LNG 1 (L) Ltd	100	100	Malaysia	Developing, constructing, owning, operating and maintaining an integrated floating natural gas liquefaction, storage and off loading facility

46. KEY SUBSIDIARIES AND ACTIVITIES (continued)

	Effective Percentage Holding 2014 %	Effective Percentage Holding 2013 %	Country of Incorporation	Principal Activities
∞* PETRONAS Floating LNG 2 (L) Ltd	100	-	Malaysia	Developing, constructing, , operating and maintaining an integrated floating natural gas liquefaction, storage and off loading facility
Engen Limited	80	80	South Africa	Refining of crude oil and marketing of refined petroleum products
Engen Petroleum Limited	80	80	South Africa	Refining and distribution of petroleum products
Engen International Holdings (Mauritius) Ltd.	80	80	Mauritius	Investment holding
Engen DRC SARL	48	48	Congo	Marketing and distribution of petroleum products
Engen Namibia (Pty) Ltd	80	80	Namibia	Market and distribute petroleum products
PETRONAS Marketing Sudan Limited	100	100	Sudan	Marketing of petroleum products
∞ MITCO Labuan Co. Limited	100	100	Malaysia	General merchandise trading
@* PETRONAS Gas Berhad	60.6	60.6	Malaysia	Processing and transmission of natural gas
Regas Terminal (Sg. Udang) Sdn. Bhd.	60.6	60.6	Malaysia	Manage and operate LNG regasification terminal
* PETRONAS Penapisan (Melaka) Sdn. Bhd.	100	100	Malaysia	Refining and condensation of crude oil
* Malaysian Refining Company Sdn. Bhd.	100	53	Malaysia	Refining and condensation of crude oil

46. KEY SUBSIDIARIES AND ACTIVITIES (continued)

	Effective Percentage Holding 2014 %	Effective Percentage Holding 2013 %	Country of Incorporation	Principal Activities
* PETRONAS Penapisan (Terengganu) Sdn. Bhd.	100	100	Malaysia	Refining and condensation of crude oil
* PETRONAS Trading Corporation Sdn. Bhd.	100	100	Malaysia	Trading of crude oil and petroleum products
∞ PETCO Trading Labuan Company Ltd.	100	100	Malaysia	Marketing of crude oil and trading in crude oil and petroleum products
PETCO Trading (UK) Limited	100	100	United Kingdom	Marketing of crude oil and trading in crude oil and petroleum products
PETCO Trading DMCC	100	100	United Arab Emirates	Trading of petroleum products
@* PETRONAS Chemicals Group Berhad	64.3	64.3	Malaysia	Investment holding
PETRONAS Chemicals Aromatics Sdn. Bhd.	45	45	Malaysia	Production and sale of aromatics products
PETRONAS Chemicals Ammonia Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of ammonia, syngas and carbon monoxide
PETRONAS Chemicals Fertiliser Kedah Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of urea, ammonia and methanol
PETRONAS Chemicals Glycols Sdn. Bhd.	64.3	64.3	Malaysia	Manufacturing and selling ethylene oxide, ethylene glycol and other glycols
PETRONAS Chemicals Marketing Sdn. Bhd.	64.3	64.3	Malaysia	Petrochemicals and general trading
PETRONAS Chemicals Methanol Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of methanol
PETRONAS Chemicals MTBE Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of methyl tertiary butyl ether and propylene

46. KEY SUBSIDIARIES AND ACTIVITIES (continued)

	Effective Percentage Holding 2014 %	Effective Percentage Holding 2013 %	Country of Incorporation	Principal Activities
PETRONAS Chemicals Olefins Sdn. Bhd.	56.6	56.6	Malaysia	Manufacturing and marketing of ethylene, propylene and other hydrocarbon products
Asean Bintulu Fertilizer Sdn. Bhd.	40.9	40.9	Malaysia	Production and sale of urea and ammonia
PETRONAS Chemicals Derivatives Sdn. Bhd.	64.3	64.3	Malaysia	Manufacturing and selling ethylene and propylene derivative products
PETRONAS Chemicals Polyethylene Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of polypropylene and its derivatives
PETRONAS Chemicals Ethylene Sdn. Bhd.	56.3	56.3	Malaysia	Production and sale of ethylene
PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd.	64.3	64.3	Malaysia	Manufacturing and marketing of ammonia, urea and any component or derivative substances
PETRONAS Chemicals LDPE Sdn. Bhd.	38.6	38.6	Malaysia	Production and sale of low-density polyethylene pellets (LDPE)
* PrimeSourcing International Sdn. Bhd.	100	100	Malaysia	Trading and procurement of equipment, spares and materials
* PETRONAS Lubricants International Sdn. Bhd.	100	100	Malaysia	Investment holding, manufacturing and trading of lubricant products
PLI (Netherlands) B.V.	100	100	Netherlands	Investment holding
PETRONAS Lubricants Italy S.p.A	100	100	Italy	Manufacturing and marketing of lubricant products
@* MISC Berhad	62.6	62.6	Malaysia	Shipping and shipping related activities

46. KEY SUBSIDIARIES AND ACTIVITIES (continued)

	Effective Percentage Holding 2014 %	Effective Percentage Holding 2013 %	Country of Incorporation	Principal Activities
AET Inc. Limited	62.6	62.6	Bermuda	Ship-owning and operations
@ Malaysia Marine and Heavy Engineering Holdings Berhad	41.6	41.6	Malaysia	Investment holding
∞ Gas Asia Terminal (L) Pte. Ltd.	62.6	62.6	Malaysia	Development and ownership of LNG floating storage units
∞ MISC Capital (L) Ltd.	62.6	62.6	Malaysia	Special purpose vehicle for US Dollar financing arrangement
∞ MISC Offshore Floating Terminals Dua (L) Ltd.	62.6	62.6	Malaysia	Offshore floating terminals ownership
∞ Gumusut-Kakap Semi-Floating Production System (L) Limited	81.3	81.3	Malaysia	Leasing of semi floating production storage
MISC Tankers Sdn. Bhd.	62.6	62.6	Malaysia	Investment holding and provision of management services
* KLCC (Holdings) Sdn. Bhd.	100	100	Malaysia	Property investment related activities and property development
Kuala Lumpur Convention Centre Sdn. Bhd.	100	100	Malaysia	Property investment
Putrajaya Holdings Sdn. Bhd.	64.4	64.4	Malaysia	Property owner and developer
@ KLCC Property Holdings Berhad	75.5	75.5	Malaysia	Investment holding and property investment
Midciti Resources Sdn. Bhd.	75.5	75.5	Malaysia	Property investment
Suria KLCC Sdn. Bhd.	45.5	45.5	Malaysia	Property investment
Arena Merdu Sdn. Bhd.	75.5	75.5	Malaysia	Property investment
* Institute of Technology PETRONAS Sdn. Bhd.	100	100	Malaysia	Institute of higher learning

46. KEY SUBSIDIARIES AND ACTIVITIES (continued)

	Effective Percentage Holding 2014 %	2013 %	Country of Incorporation	Principal Activities
∞* Energas Insurance (L) Limited	100	100	Malaysia	Offshore captive insurance business
∞* PETRONAS Capital Limited	100	100	Malaysia	Investment holding
∞ PETRONAS Global Sukuk Limited	100	100	Malaysia	Investment holding
Petroleum Research Fund	-	-	Malaysia	Providing financial contributions to research activities relating to petroleum and other energy sources industry

The Group does not hold any ownership interest in Petroleum Research Fund ("PRF"). However, the Group has the rights to appoint and remove members of Board of Trustees of PRF, which is the decision making body of the fund and has the absolute discretion to determine the manner in which balance of the fund should be distributed upon dissolution of PRF. Consequently, PRF is regarded as subsidiary of the Group.

* Subsidiaries held directly by the Company.
@ The shares of these subsidiaries are quoted on the Main Market of Bursa Malaysia Securities Berhad.
∞ Companies incorporated under the Labuan Companies Act 1990.

47. KEY ASSOCIATES AND ACTIVITIES

	Effective Percentage Holding 2014 %	2013 %	Country of Incorporation	Principal Activities
BASF PETRONAS Chemicals Sdn. Bhd.	25.7	25.7	Malaysia	Own and operate acrylic acid and oxo plants
Bintulu Port Holdings Berhad	28.5	28.5	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 Berhad	9.0	9.0	Malaysia	Selling, marketing, distribution and promotion of natural gas

47. KEY ASSOCIATES AND ACTIVITIES (continued)

	Effective Percentage Holding		Country of Incorporation	Principal Activities
	2014 %	2013 %		
Guangxi Nanning Yuchai Lube Co., Ltd.	38.4	38.4	China	Marketing of lubricants
Guangxi Beihai Yuchai High Quality Lube Co., Ltd.	38.4	38.4	China	Marketing of lubricants
IDKU Natural Gas Liquefaction Company S.A.E.	38.0	38.0	Egypt	Manufacturing and production of LNG for the purpose of export
Pacific NorthWest LNG Ltd	62.0	87.0	Canada	Overall management and control of the business and affairs of LNG Partnership
Pacificlight Power Pte Ltd	30.0	30.0	Singapore	Construct and operate a power plant and electricity trading
Tchad Oil Transportation Company-S.A.	30.2	30.2	Republic of Chad	Pipeline operations
The Egyptian LNG Company S.A.E.	35.5	35.5	Egypt	Owning, managing and developing the land and the common facilities related to the Egyptian LNG facility

Although the Group has less than 20% of the ownership in the equity interest of Gas Malaysia Berhad, the Group has determined that it has significant influence over the financial and operating policy of the associate through representation on the said associate's board of directors.

Although the Group has 62% of the ownership in the equity interest of Pacific NorthWest LNG Ltd, the governing agreements and constitutive documents for this entity do not allow the Group to control this entity as voting requires unanimous approval of the shareholders or their representatives.

48. KEY JOINT VENTURES AND ACTIVITIES

	Effective Percentage Holding		Country of Incorporation	Principal Activities
	2014 %	2013 %		
BP PETRONAS Acetyls Sdn. Bhd.	19.3	19.3	Malaysia	Manufacture, sell and distribute acetic acid
Dragon LNG Group Limited	50.0	50.0	United Kingdom	Operate LNG import and storage terminal
Trans Thai-Malaysia (Thailand) Ltd.	50.0	50.0	Thailand	Gas pipeline transportation and gas separation services
Trans Thai-Malaysia (Malaysia) Sdn. Bhd.	50.0	50.0	Malaysia	Transporting and delivering gas products
Indianoil PETRONAS Private Limited	50.0	50.0	India	Manufacture and bottling services of Liquid Petroleum Gas ("LPG")
VTTI B.V.	31.3	31.3	Netherlands	Owning, operating and managing a network of oil product storage terminals and refineries
Kimanis Power Sdn. Bhd.	36.4	36.4	Malaysia	Generation and sale of electricity
Taninthayi Pipeline Co. LLC	40.9	40.9	Cayman Islands	Transportation of gas
Malaysia Deepwater Floating Terminal (Kikeh) Ltd.	31.8	31.8	Malaysia	Floating production storage and off-loading ("FPSO") owner

REPORT OF THE AUDITORS TO THE MEMBERS

Report on the Financial Statements

We have audited the financial statements of Petroliam Nasional Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 125 to 241.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Appendix I to the financial statements.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

KPMG
Firm Number: AF 0758
Chartered Accountants

Datuk Johan Idris
Partner
Approval Number: 2585/10/16(J)
Chartered Accountant

Petaling Jaya, Malaysia

Date: 26 February 2015

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS

KLCC (Holdings) Sdn. Bhd. and its subsidiaries:

- Putrajaya Homes Sdn. Bhd.
- Hartamas Riang Sdn. Bhd.
- Convex Malaysia Sdn. Bhd.
- Gas District Cooling (M) Sdn. Bhd.
- Gas District Cooling (Putrajaya) Sdn. Bhd.
- Gilang Cendana Sdn. Bhd.
- Hasrat Intisari (M) Sdn. Bhd.
- HLP Bina Sdn. Bhd.
- Midciti Sukuk Berhad
- Kenyalang Murni Sdn. Bhd.
- Kelana Perkasa Sdn. Bhd.
- KLCC Projeks Sdn. Bhd.
- KLCC Real Estate Management Sdn. Bhd.
- KLCC Projeks Services Sdn. Bhd.
- Kuala Lumpur City Park Berhad
- Layar Intan Sdn. Bhd.
- Menara Putrajaya Sdn. Bhd.
- Purnama Sepi Sdn. Bhd.
- Putrajaya Development Sdn. Bhd.
- Putrajaya Group Sdn. Bhd.
- Putrajaya Projects Sdn. Bhd.
- Putrajaya Resources Sdn. Bhd.
- Senandung Asli Sdn. Bhd.
- Tapak Senja Sdn. Bhd.
- Gas District Cooling (KLIA) Sdn. Bhd.
- Antara Merdu Sdn. Bhd.
- Pelangi Maksima Sdn. Bhd.
- Arena Johan Sdn. Bhd.
- Asas Klasik Sdn. Bhd.
- KLCC Parking Management Sdn. Bhd.
- Kompleks Dayabumi Sdn. Bhd.
- Midciti Resources Sdn. Bhd.
- KLCC REIT Management Sdn. Bhd.
- Arah Moden Sdn. Bhd.
- City Centre Convention Centre Sdn. Bhd.
- Gagasan Ria Sdn. Bhd.
- Heritage Lane Sdn. Bhd.
- Ilham Merpati Sdn. Bhd.
- Idaman Putrajaya Sdn. Bhd.
- Impian Moden Sdn. Bhd.
- KLCC Convention Centre Sdn. Bhd.
- KLCC Properties Sdn. Bhd.
- Komponen Abadi Sdn. Bhd.
- Kuala Lumpur City Centre Holdings Sdn. Bhd.
- Kuala Lumpur Convention Centre Sdn. Bhd.
- Lembah Putrajaya Sdn. Bhd.
- Metro Kemasik Sdn. Bhd.
- Pedoman Semarak Sdn. Bhd.
- Putrajaya Holdings Sdn. Bhd.
- Putrajaya Management Sdn. Bhd.
- Putrajaya Properties Sdn. Bhd.
- Putrajaya Ventures Sdn. Bhd.
- Serba Harapan (M) Sdn. Bhd.
- Gas District Cooling (Holdings) Sdn. Bhd.
- Gas District Cooling (UTP) Sdn. Bhd.
- Indah Putrajaya Sdn. Bhd.
- Suria KLCC Sdn. Bhd.
- Arena Merdu Sdn. Bhd.
- Impian Cemerlang Sdn. Bhd.
- KLCC Urusharta Sdn. Bhd.
- KLCC Property Holdings Bhd. (@)
- KLCC Real Estate Investment Trust (@)

Marmel Incorporated and its subsidiaries:

- Darton Ltd.
- GCB Associates, LLC
- Sparknight, LLC
- Paterson, LLC
- WG Parcel B, LLC
- Darton U.S. Holdings, Inc.
- Grabhorn Properties, LLC
- World Gateway Investments, Inc.
- World Gateway Property Owners Association

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

MISC Berhad and its subsidiaries:

- AET Agencies Inc.
- AET Inc. Limited
- AET Offshore Services Inc.
- AET Shipmanagement (India) Pte. Ltd.
- AET Shipmanagement (Singapore) Pte. Ltd.
- AET Tanker Holdings Sdn. Bhd.
- Asia LNG Transport Sdn. Bhd.
- Bunga Kasturi (L) Pte. Ltd.
- MISC Nigeria Ltd.
- Malaysian Maritime Academy Sdn. Bhd.
- MISC Offshore Floating Terminals Dua (L) Ltd.
- Misan Logistics B.V.
- MISC Agencies India Pvt. Ltd.
- MISC Agencies (Netherlands) B.V.
- MISC Agencies (U.K.) Ltd.
- MISC Capital (L) Ltd.
- MISC Ferry Services Sdn. Bhd.
- MISC Haulage Services Sdn. Bhd.
- MISC International (L) Ltd.
- MISC Offshore Holdings (Brazil) Sdn. Bhd.
- MISC Ship Management Sdn. Bhd.
- MISC Tanker Holdings (Bermuda) Limited
- MTTI Sdn. Bhd.
- Malaysia Marine and Heavy Engineering Holdings Berhad (@)
- Puteri Delima Satu (L) Pte. Ltd.
- Puteri Firus Satu (L) Pte. Ltd.
- Puteri Intan Satu (L) Pte. Ltd.
- Puteri Nilam Satu (L) Pte. Ltd.
- Puteri Zamrud Satu (L) Pte. Ltd.
- Puteri Zamrud Sdn. Bhd.
- Malaysia Marine and Heavy Engineering (Turkmenistan) Sdn. Bhd.
- AET Tankers Kazakhstan LLP
- AET Shipmanagement (USA) LLC
- AET Tankers (Suezmax) Pte. Ltd.
- AET Shuttle Tankers Sdn. Bhd.
- AET MCV Alpha L.L.C.
- AET MCV Gamma L.L.C.
- AET Brasil Servicos Maritamos Ltda
- AET MCV Beta Pte. Ltd.
- AET Holdings (L) Pte. Ltd.
- AET Lightering Services LLC
- AET Petroleum Tanker (M) Sdn. Bhd.
- AET Shipmanagement (Malaysia) Sdn. Bhd.
- AET Azerbaijan Limited
- AET Tankers India Pte. Ltd.
- AET UK Ltd.
- AET Tankers Pte. Ltd.
- Asia LNG Transport Dua Sdn. Bhd.
- FPSO Ventures Sdn. Bhd.
- Malaysia Marine and Heavy Engineering Sdn. Bhd.
- MILS Cold Chain Logistics Sdn Bhd
- MILS Cold Hub Sdn. Bhd.
- MISC Agencies Sdn. Bhd.
- MISC Agencies (Singapore) Pte. Ltd.
- MISC Enterprises Holdings Sdn. Bhd.
- MISC Offshore Mobile Production (Labuan) Ltd.
- MISC Integrated Logistics Sdn. Bhd.
- MISC Offshore Floating Terminals (L) Ltd.
- MISC Properties Sdn. Bhd.
- MISC Tanker Holdings Sdn. Bhd.
- MMHE-SHI LNG Sdn. Bhd.
- MISC Trucking and Warehousing Services Sdn. Bhd.
- Gas Asia Terminal (L) Private Ltd.
- MISC Tankers Sdn. Bhd.
- Puteri Delima Sdn. Bhd.
- Puteri Firus Sdn. Bhd.
- Puteri Intan Sdn. Bhd.
- Puteri Mutiara Satu (L) Pte. Ltd.
- Puteri Nilam Sdn. Bhd.
- Techno Indah Sdn. Bhd.
- MISC PNG Shipping Ltd.
- AET Sea Shuttle AS
- AET MCV Delta Sdn. Bhd.
- AET MCV Beta L.L.C.
- AET MCV Alpha Pte. Ltd.
- AET Brasil Servicos STS Ltda
- GK O & M (L) Limited
- MISC Agencies (Japan) Ltd.

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

PETRONAS Carigali Sdn. Bhd. and its subsidiaries:

- Doba Pipeline Investment Inc.
- PC Gulf Ltd.
- PC (North East Madura IV) Ltd.
- PC (SE Palung Aru) Ltd.
- PC (Timor Sea 06-102) Ltd.
- PETRONAS Carigali (Australia) Pty. Ltd.
- PETRONAS Carigali (Chad EP) Inc.
- PETRONAS Carigali (Ketapang) Ltd.
- PETRONAS Carigali (Surumana) Ltd.
- PETRONAS Carigali (Tanjung Jabung) Ltd.
- E&P O&M Services Sdn. Bhd.
- PETRONAS Chad Marketing Inc.
- PC Algeria Ltd. (ϒ)
- PETRONAS Carigali Niger Exploration & Production Ltd.
- PETRONAS Carigali White Nile (5B) Ltd.
- PETRONAS Carigali Vietnam (Blocks 10 & 11-1) Ltd.
- PETRONAS Carigali (Mandar) Ltd.
- PETRONAS Carigali (Oman) Ltd.
- PETRONAS Iraq Garraf Ltd.
- PETRONAS Carigali Iraq (Halfaya) Ltd.
- PETRONAS Carigali Iraq Holding B.V.
- PETRONAS Carigali Iraq (Badra) Ltd.
- E&P Malaysia Venture Sdn. Bhd.
- PC Lampung II Ltd.
- PC Randugunting Ltd.
- PC (South Pars 11) Ltd.
- PC Venezuela Ltd.
- PETRONAS Carigali (Baisun) Operating Company LLC
- PETRONAS Carigali (Karapan) Ltd.
- PC Ketapang II Ltd.
- PETRONAS Carigali (Tanjung Aru) Ltd.
- PETRONAS Carigali Chad Exploration & Production Inc.
- PETRONAS Carigali International Sdn. Bhd.
- PETRONAS Carigali Mozambique E&P Ltd.
- PETRONAS Carigali Nigeria Limited
- PETRONAS Carigali Overseas Sdn. Bhd.
- Seerat Refinery Investment Inc.
- PC Mozambique (Rovuma Basin) Ltd.
- PETRONAS Carigali Cameroon Ltd.
- PETRONAS Carigali (Baisun) Ltd.
- PETRONAS Carigali (West Glagah Kambuna) Ltd.
- PETRONAS Carigali Iraq (Majnoon) Ltd.
- E&P Venture Solutions Co. Sdn. Bhd.
- Vestigo Petroleum Sdn. Bhd.

PETRONAS Chemicals Group Berhad's subsidiaries:

- Kertih Port Sdn. Bhd.
- PETRONAS Chemicals Ammonia Sdn. Bhd.
- Phu My Plastics and Chemicals Co. Ltd. (α)
- PETRONAS Chemicals Glycols Sdn. Bhd.
- Vinyl Chloride (Malaysia) Sdn. Bhd.
- PETRONAS Chemicals LDPE Sdn. Bhd.
- PETRONAS Chemicals Fertiliser (Kedah) Sdn. Bhd.
- PETRONAS Chemicals Derivatives Sdn. Bhd.
- PETRONAS Chemicals Olefins Sdn. Bhd.
- PCM Chemical India Private Limited

PETRONAS Hartabina Sdn. Bhd. and its subsidiary:

- Prince Court Medical Centre Sdn. Bhd.

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

PETRONAS International Corporation Ltd. and its subsidiaries:

- Aktol Chemicals (Pty.) Ltd.
- Azania Petroleum (Pty.) Ltd.
- Citycat Properties (Pty.) Ltd.
- Chemico (Pty.) Ltd.
- Engen African Minority Holdings
- Engen Gabon S.A.
- Engen Group Funding Trust
- Engen Holdings (Ghana) Ltd.
- Engen International Holdings (Mauritius) Ltd.
- Engen Lesotho (Pty.) Ltd.
- Engen Marketing Botswana (Pty.) Ltd.
- Engen (Nigeria) Ltd. (α)
- Engen Offshore Holdings (Mauritius) Ltd.
- Engen Swaziland (Pty.) Ltd.
- Engen Rwanda Ltd.
- Engen Petroleum Zimbabwe (PVT) Ltd.
- Engen Petroleum (Mocambique) Ltd.
- Engen Petroleum Zambia Ltd.
- Enpet Insurance Ltd.
- Federico Trading (Pty.) Ltd.
- Ivory Properties (Pty.) Ltd.
- Imtrasel (Pty.) Ltd.
- Labuan Energy Corporation Ltd.
- New Jack Trading (Pty.) Ltd.
- PAPL (Upstream) Pty Ltd.
- PC JDA Ltd.
- PC Muriah Ltd.
- PC Myanmar (Hong Kong) Limited
- PAPL Services Pty Limited
- PAPL (Upstream II) Pty Ltd.
- Petroleum Investment Holding Ltd.
- PETRONAS Energy Trading Limited
- PETRONAS Carigali Myanmar Inc.
- PETRONAS Carigali Nile Ltd.
- PETRONAS Carigali Greenland Holding Ltd.
- PETRONAS Carigali Greenland A/S
- PETRONAS Carigali Myanmar III Inc.
- PETRONAS Philippines Inc. (α) (ϒ)
- PETRONAS Carigali (Urga) Ltd.
- PETRONAS Marketing Sudan Ltd.
- Argentinean Pipeline Holding Company S.A. (α) (ϒ)
- PETRONAS Thailand Co. Ltd. (α)
- PETRONAS International Power Corporation BV (α)
- Japan Malaysia LNG Co. Ltd.
- PETRONAS LNG Ltd.
- BGI Properties Ltd.
- Cavallo Engineering & Construction (Pty.) Ltd.
- Durban Liquid Storage Pty. Ltd.
- 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. (α)
- Oil Tanking Ltd.
- Engen Petroleum (Burundi) Ltd.
- Engen Petroleum (DRC) Ltd.
- Engen Petroleum Ltd.
- Engen Petroleum Tanzania Ltd.
- Engen Petroleum Zimbabwe (PVT) Ltd.
- Enpet Africa Insurance Ltd.
- MITCO Labuan Co. Limited
- Myanmar PETRONAS Trading Co. Ltd.
- LEC Ireland Employment Ltd.
- Nada Properties Co. Ltd.
- Natuna 1 B.V.
- Engen Petroleum (Mauritius) Ltd.
- Pakenzyl (Pty.) Ltd.
- Parsi International Ltd.
- PC Madura Ltd.
- PAPL (Downstream) Pty Ltd.
- PC Myanmar Holdings Limited (ϒ)
- PC Vietnam Ltd.
- Petrarch Petroleum (Pty.) Ltd.
- PETRONAS Australia Pty. Ltd.
- PETRONAS Carigali (Jabung) Ltd.
- PETRONAS Carigali (Turkmenistan) Sdn. Bhd.
- PETRONAS Carigali (Urga) Operating Company LLC (ϒ)
- Engen Reunion SA
- PETRONAS (E&P) Overseas Ventures Sdn. Bhd.
- PETRONAS Brasil E&P Limitada
- PETRONAS Sierra Leone E&P Ltd.
- Progress Energy Canada Ltd. (α)

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

PETRONAS International Corporation Ltd. and its subsidiaries (continued):

- Kabuye Depot Holding Company Rwanda Ltd.
- PICL Siri Company Limited (α)
- PSE Kinsale Energy Ltd.
- Petal Petroleum Limited
- PC Mauritania I Pty Limited (α)
- PC Mauritania II B.V. (α)
- PETRONAS Carigali Brunei Co. Ltd.
- PETRONAS LNG Sdn. Bhd.
- PETRONAS LNG (UK) Ltd.
- Quickstep 285 (Pty.) Ltd.
- Renaissance Petroleum (Pty.) Ltd.
- SEP Burundi
- PETRONAS Marketing Ventures Limited
- Trek Petroleum (Pty.) Ltd.
- Zenex Oil (Pty.) Ltd.
- Engen Oil Lesotho (Pty.) Ltd.
- Engen DRC SARL
- Overseas Gas Storage Limited
- Humbly Grove Energy Services Ltd
- PETRONAS Carigali International E&P B.V.
- Pacific Northwest LNG Ltd. (α)
- Pacific Northwest LLP (α)
- 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 Ltd. (Malawi)
- Valais Investments (Pty.) Ltd.
- PETRONAS Carigali Canada B.V.
- Progress Energy Co. Ltd.
- PETRONAS Myanmar Limited
- Ximex Energy Holdings (PVT) Ltd.
- Societe de Transport Mace SA
- Engen Company (Mauritius) Ltd.
- Engen Properties (Pty.) Ltd.
- Engen Marketing Tanzania Ltd.
- Engen Oil Zimbabwe (PVT) Ltd.
- Gas Storage Limited
- Humbly Grove Energy Ltd.
- PETRONAS Suriname E&P B.V.

PETRONAS Maritime Services Sdn. Bhd. and its subsidiary:

- Sungai Udang Port Sdn. Bhd.

PETRONAS Assets Sdn. Bhd. and its subsidiaries:

- PETRONAS ICT Sdn. Bhd.
- Virtus iP Sdn. Bhd.
- Petrofibre Network (M) Sdn. Bhd.

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

PETRONAS Lubricants International Sdn. Bhd.'s subsidiaries:

- PETRONAS Lubricants Italy S.p.A (α)
- PETRONAS Lubrificantes Brasil S.A. (α)
- PETRONAS Lubricants France S.a.s. (α)
- 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 China Company Limited (α)
- PLI (Netherlands) B.V.
- Finco (UK) Ltd.
- PETRONAS Lubricants Africa Ltd. (α)
- PETRONAS Marketing China Co. Ltd.
- PETRONAS Lubricants Belgium N.V. (α)
- Viscosity Oil Co.
- PETRONAS Lubricants Poland Sp.Zo.o (α)
- PETRONAS Lubricants Argentina S.A.
- PETRONAS Lubricants Great Britain LTD (α)
- PETRONAS Lubricants Deutschland Gmbh (α)
- FL Nominees Ltd.
- PETRONAS Lubricants (India) Private Limited (Ƴ)
- PETRONAS Lubricants Shandong Co. Ltd. (α)
- PL Russia LLC
- PLAL Egypt LLC

PETRONAS Trading Corporation Sdn. Bhd.'s subsidiaries:

- PETCO Trading (UK) Limited (α)
- PT PETRONAS Niaga Indonesia
- PETCO Trading DMCC (α)

PETRONAS Technical Services Sdn. Bhd.'s subsidiary:

- PTSSB JLT

Subsidiaries held directly by the Company:

- Energas Insurance (L) Limited
- PETRONAS Management Training Sdn. Bhd.
- PETRONAS South Africa (Pty.) Ltd. (α)
- PETRONAS NGV Sdn. Bhd.
- Gumusut-Kakap Semi-Floating Production System (L) Ltd.
- Institute of Technology PETRONAS Sdn. Bhd.
- PETRONAS e-Learning Solutions Sdn. Bhd.
- PETRONAS Technical Training Sdn. Bhd.
- PETRONAS Capital Limited

α Audited by affiliates of KPMG.
@ The shares of this subsidiary are quoted on the Main Market of Bursa Malaysia Securities Berhad.
Ƴ Consolidated based on management financial statements.
β The shares of this subsidiary are quoted on the Botswana Stock Exchange.

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