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This announcement and the offering circular referred to herein are for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and do not constitute an offer to sell or the solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the offering circular) forms the basis for any contract or commitment whatsoever. For the avoidance of doubt, the publication of this announcement and the offering circular referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the issuers for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

This announcement is solely for the purpose of reference and does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The US\$1,250,000,000 2.480% guaranteed notes due 2032, the US\$1,750,000,000 3.404% guaranteed notes due 2061 and the guarantee provided by Petroliam Nasional Berhad (PETRONAS) have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and, subject to certain exceptions, may not be offered or sold within the United States. The Notes (as defined below) are being offered in the United States in reliance on Rule 144A under the Securities Act or another exemption from the registration requirements of the Securities Act, or outside the United States in reliance on Regulation S under the Securities Act.

Notice to Hong Kong investors: PETRONAS Capital Limited and Petroliam Nasional Berhad (PETRONAS) confirm that the Notes are intended for purchase by professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and have been so listed on that basis. Accordingly, PETRONAS Capital Limited and Petroliam Nasional Berhad (PETRONAS) confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

PUBLICATION OF OFFERING CIRCULAR AND PRICING SUPPLEMENTS



PETRONAS
PETRONAS Capital Limited
(Incorporated in Labuan, Malaysia with limited liability)

US\$1,250,000,000 2.480% Guaranteed Notes due 2032
(Stock Code: 40671)
and
US\$1,750,000,000 3.404% Guaranteed Notes due 2061
(Stock Code: 40672)
(collectively, the “Notes”)

issued by PETRONAS Capital Limited under
PETRONAS Capital Limited and PETRONAS Energy Canada Ltd.’s
U.S.\$15,000,000,000
Global Medium Term Note Program
(the “Program”)

Unconditionally and Irrevocably Guaranteed by
Petroliam Nasional Berhad (PETRONAS)
(Incorporated in Malaysia with limited liability)

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Please refer to the offering circular dated February 26, 2021 (the “**Offering Circular**”) in relation to the Program and the pricing supplements dated April 22, 2021 in relation to the Notes (the “**Pricing Supplements**”), each appended hereto. As disclosed in the Offering Circular and the Pricing Supplements, the Notes are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been so listed on that basis.

None of the Offering Circular or the Pricing Supplements constitutes a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

None of the Offering Circular or the Pricing Supplements should be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended. No investment decision should be made based only on the information contained in the Offering Circular and the Pricing Supplements.

Kuala Lumpur, Malaysia
April 29, 2021

As at the date of this announcement, the directors of PETRONAS Capital Limited are Nuraini Ismail, Hazleena Hamzah, and Wan Shamilah Wan Muhammad Saidi.

As at the date of this announcement, the directors of Petroliam Nasional Berhad (PETRONAS) are Tan Sri Ahmad Nizam Salleh, Tengku Muhammad Taufik Tengku Kamadjaja Aziz, Ainul Azhar Ainul Jamal, Tan Sri Dato’ Seri Mohd Bakke Salleh, Dato’ Razali Mohd Yusof, Zakiah Jaafar, Tan Sri Zaharah Ibrahim, and Dato Haji Ibrahim Haji Baki.

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OFFERING CIRCULAR DATED FEBRUARY 26, 2021
PRICING SUPPLEMENTS DATED APRIL 22, 2021

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (A) NON-U.S. PERSONS OR ADDRESSEES OUTSIDE OF THE UNITED STATES OR (B) QUALIFIED INSTITUTIONAL BUYERS (“QIB”) PURSUANT TO RULE 144A OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”).

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the “Offering Circular”), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES REFERRED TO IN THE OFFERING CIRCULAR HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY PERSON IN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

CONFIRMATION OF YOUR REPRESENTATION: IN ORDER TO BE ELIGIBLE TO VIEW THE OFFERING CIRCULAR, INVESTORS MUST COMPLY WITH THE FOLLOWING PROVISIONS. YOU HAVE BEEN SENT THIS DOCUMENT AT YOUR REQUEST AND ON THE BASIS THAT YOU HAVE CONFIRMED TO THE DEALERS NAMED IN THE OFFERING CIRCULAR THAT YOU (1) EITHER ARE A NON-U.S. PERSON OUTSIDE THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”)) OR YOU ARE A QIB PURSUANT TO RULE 144A OF THE SECURITIES ACT AND, TO THE EXTENT THAT YOU PURCHASE THE SECURITIES DESCRIBED IN THE OFFERING CIRCULAR, YOU WILL BE DOING SO EITHER IN AN OFFSHORE TRANSACTION (AS DEFINED IN REGULATION S) IN COMPLIANCE WITH REGULATION S OR PURSUANT TO RULE 144A OF THE SECURITIES ACT; AND (2) CONSENT TO DELIVERY OF THE OFFERING CIRCULAR AND ANY AMENDMENTS OR SUPPLEMENTS THERETO BY ELECTRONIC TRANSMISSION.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the Offering Circular to any other person. If this is not the case, you must return the Offering Circular to us immediately. You may not, nor are you authorized to, deliver or disclose the contents of the Offering Circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any of their respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealers or such affiliate on behalf of PETRONAS Capital Limited (the “Labuan Issuer”) or PETRONAS Energy Canada Ltd. (the “Canadian Issuer”, together with the Labuan Issuer, the “Issuers”) or Petroliam Nasional Berhad (PETRONAS) (the “Guarantor”).

The Offering Circular has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuers, Guarantor, Dealers or any person who controls any of them or any of their respective commissioners, directors, officers, employees, agents or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the Offering Circular distributed to you in electronic format and the hard copy version is available to you on request from the Dealers.

OFFERING CIRCULAR



PETRONAS

PETRONAS Capital Limited

(incorporated in Labuan, Malaysia with limited liability)

PETRONAS Energy Canada Ltd.

(incorporated in Alberta, Canada with limited liability)

U.S.\$15,000,000,000

Global Medium Term Note Program

unconditionally and irrevocably guaranteed by

Petroleum Nasional Berhad (PETRONAS)

(incorporated in Malaysia with limited liability)

This Offering Circular replaces and supersedes the Offering Circular dated March 19, 2020 describing the Program (as defined below). Any Notes (as defined below) issued under this Program on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Notes issued prior to the date of this Offering Circular.

Under this U.S.\$15,000,000,000 Global Medium Term Note Program (the “**Program**”), PETRONAS Capital Limited (“**PETRONAS Capital Limited**” or the “**Labuan Issuer**”), PETRONAS Energy Canada Ltd. (“**PETRONAS Energy Canada Ltd.**” or the “**Canadian Issuer**”) or any subsidiary of Petroleum Nasional Berhad (PETRONAS) (“**PETRONAS**” or the “**Guarantor**”) which accedes to the Program by executing an accession agreement pursuant to the terms of the Agency Agreement (as defined below) (each such subsidiary, together with the Labuan Issuer and the Canadian Issuer, an “**Issuer**” in relation to the Notes issued by it), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the “**Notes**”) denominated in any currency agreed between the Issuer and the Relevant Dealer (as defined below) other than the Malaysian ringgit. The Notes will be issued on a senior basis and may be issued in bearer or registered form (“**Bearer Notes**” and “**Registered Notes**”, respectively).

Notes issued by the Issuer will be unconditionally and irrevocably guaranteed by PETRONAS on a senior basis. The maximum aggregate nominal amount of all Notes from time to time outstanding under the Program will not exceed U.S.\$15,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein. The Notes may be issued on a continuing basis to one or more of the Dealers specified under “Summary of the Program” and any additional Dealer appointed under the Program from time to time by the Issuer (each a “**Dealer**” and together the “**Dealers**”), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the “**Relevant Dealer**” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

With respect to any Notes that may be issued by the Labuan Issuer pursuant to the Program and which are agreed at or prior to the time of issue thereof to be listed, approval-in-principle has been obtained on March 5, 2015 for (a) listing of such Notes on, and admission to the Official List of, the Labuan International Financial Exchange and (b) for listing of such Notes on, and admission to the Official List of, Bursa Malaysia Securities Berhad (“**Bursa Malaysia**”) under an exempt regime pursuant to which the Notes will be listed but not quoted for trading (“**Bursa Malaysia (Exempt Regime)**”). With respect to any Notes that may be issued by the Canadian Issuer pursuant to the Program and which are agreed at or prior to the time of issue thereof to be listed, approval-in-principle, if applicable, will be obtained for (a) listing of such Notes on, and admission to the Official List of, the Labuan International Financial Exchange and (b) for listing of such Notes on, and admission to the Official List of, Bursa Malaysia under the Bursa Malaysia (Exempt Regime). The Labuan International Financial Exchange and Bursa Malaysia take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Application has been made to The Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”) for the listing of the Program for 12 months after the date of this Offering Circular for debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (“**Professional Investors**”) only on the Hong Kong Stock Exchange. If so specified in the applicable Pricing Supplement, application will be made to the Hong Kong Stock Exchange for the listing of the Notes by way of debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange. This Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuers and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and, if listed on the Hong Kong Stock Exchange, will be so listed on that basis. Accordingly, the Issuers and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Program and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Program and the Notes or the Issuers and the Guarantor or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular. This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuers and the Guarantor. The Issuers and the Guarantor accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading. Approval-in-principle from, and the listing of the Notes on, the Hong Kong Stock Exchange, Labuan International Financial Exchange and/or Bursa Malaysia (Exempt Regime) is not to be taken as an indication of the merits of the Issuers or the Guarantor, the Program or the Notes. Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, an investor should consult his or her advisors.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “**Terms and Conditions of the Notes**”) of Notes will be set out in a pricing supplement (the “**Pricing Supplement**”). The Program provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer, the Guarantor and the Relevant Dealer(s). The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

Investing in the Notes involves risk. You should read “Risk Factors” beginning on page 97 before investing in the Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued only outside the United States to non-U.S. persons in reliance on the exemption from registration provided by Regulation S under the Securities Act (“**Regulation S**”) and Registered Notes may be issued both outside the United States to non-U.S. persons in reliance on the exemption from registration provided by Regulation S and, if so specified, within the United States or to U.S. persons in private transactions (i) to “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act (“**QIBs**”) or (ii) to “accredited investors” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions (“**Institutional Accredited Investors**”) who agree to purchase the Notes for their own account and not with a view to the distribution thereof. Bearer Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold, or in the case of Bearer Notes delivered, in the United States or its possessions or to, or for the benefit of, U.S. persons (as defined in Regulation S under the Securities Act or, in the case of Bearer Notes, the U.S. Internal Revenue Code of 1986, as amended). See “**Form of the Notes**” for more description of the manner in which Notes will be issued. Notes are subject to certain restrictions on transfer. See “**Subscription and Sale and Transfer and Selling Restrictions.**”

Arrangers

BofA Securities

Citigroup

HSBC

Maybank

MUFG

Dealers

BofA Securities

Citigroup

HSBC

Maybank

MUFG

Offering Circular dated February 26, 2021

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This Offering Circular includes risk factors, PETRONAS' audited consolidated and unconsolidated financial statements and disclosure concerning PETRONAS' business and financial condition and results of operations, as well as other matters. You should carefully review the entire Offering Circular before making an investment decision.

You should rely only on the information contained in this Offering Circular or to which PETRONAS or the Issuers have referred you. Neither PETRONAS nor the Issuers have authorized anyone to provide you with information that is different. This Offering Circular may only be used where it is legal to sell the Notes. You should not assume that the information in this Offering Circular is accurate as of any date other than the date at the front of this Offering Circular. This Offering Circular is confidential. You are authorized to use this Offering Circular solely for the purpose of considering the purchase of the Notes described in this Offering Circular. You may not reproduce or distribute this Offering Circular in whole or in part, and you may not disclose any of the contents of this Offering Circular or use any information herein for any purpose other than considering a purchase of the Notes. You agree to the foregoing by accepting delivery of this Offering Circular.

IN CONNECTION WITH THE ISSUE AND DISTRIBUTION OF ANY TRANCHE OF NOTES, THE DEALER(S) (IF ANY) NAMED AS THE STABILIZING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILIZING MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILIZATION MAY NOT OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILIZING MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILIZING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

NOTICE TO INVESTORS

The Issuers and the Guarantor, having made all reasonable enquiries, confirm that this Offering Circular contains or incorporates all information material in the context of the issuance and offering of the Notes, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed in this Offering Circular are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, and that there are no other facts, the omission of which would, in the context of the issue and offering of the Notes, make this Offering Circular as a whole or any information or the expression of any opinions or intentions expressed in this Offering Circular misleading in any material respect. The Issuers and the Guarantor accept responsibility accordingly. Information provided in this Offering Circular with respect to Malaysia, its political status and economy has been derived from information published by the Malaysian government and other public sources, and the Issuers and the Guarantor accept responsibility only for the accurate extraction of information from such sources.

This Offering Circular is based on the information provided by the Issuers and the Guarantor. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuers or the Guarantor in connection with the Program.

No person is or has been authorized by the Issuers or the Guarantor to give any information or to make any representation other than as contained in this Offering Circular or any other information supplied in connection with the Program or the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by any of the Issuers, the Guarantor or the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Program or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by any of the Issuers, the Guarantor or the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Program or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuers and the Guarantor. Neither this Offering Circular nor any other information supplied in connection with the Program or the issue of any Notes constitutes an offer or invitation by or on behalf of any of the Issuers, the Guarantor or the Dealers to any person to subscribe for or to purchase any Notes. The contents of this Offering Circular should not be construed as providing legal, business, accounting or tax advice. An investor should bear the economic risk of an investment in the Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuers and the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to advise any investor in the Notes of any information coming to their attention. Investors should review, inter alia, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in

such jurisdiction. The distribution of this Offering Circular and the offer or sale of the Notes may be restricted by law in certain jurisdictions. The Issuers, the Guarantor and the Dealers do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuers, the Guarantor or the Dealers that would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of the Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States of America, the European Economic Area (the “**EEA**”), the United Kingdom, Malaysia, Japan, Singapore, Hong Kong, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, State of Qatar (“**Qatar**”), Kingdom of Bahrain, Kuwait, Canada, Taiwan (ROC) and the Republic of Korea (“**Korea**”). See “*Subscription and Sale and Transfer and Selling Restrictions.*”

All references in this Offering Circular to the “**Guarantor**” are to Petroliaam Nasional Berhad (PETRONAS), and all references in this Offering Circular to “**PETRONAS**” are, unless the context otherwise requires, to Petroliaam Nasional Berhad (PETRONAS) and its subsidiaries. References to the “**Issuers**” are to PETRONAS Capital Limited, PETRONAS Energy Canada Ltd. and any additional issuers that may be appointed under the Program in accordance with the amended and restated program agreement entered into between the Issuers, Petroliaam Nasional Berhad (PETRONAS) and the other parties named therein on February 26, 2021 (the “**Program Agreement**”).

U.S. INFORMATION

This Offering Circular is being provided on a confidential basis in the United States to a limited number of QIBs or Institutional Accredited Investors (each as defined under “*Form of the Notes*”) for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The Registered Notes may be offered or sold within the United States only to QIBs or to Institutional Accredited Investors, in either case in transactions exempt from registration under the Securities Act. Each U.S. purchaser of the Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act (“**Rule 144A**”).

Purchasers of the Definitive IAI Registered Notes (as defined in the Program Agreement) will be required to execute and deliver an IAI Investment Letter (each as defined under “*Terms and Conditions of the Notes*”). Each purchaser or holder of the Definitive IAI Registered Notes, the Notes represented by a Rule 144A Global Note (as defined below) or any Notes issued in registered form in exchange or substitution therefor (together “**Legended Notes**”) will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in “*Subscription*

and Sale and Transfer and Selling Restrictions.” Unless otherwise stated, terms used in this paragraph have the meanings given to them in “Form of the Notes.”

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to U.S. persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and the U.S. Treasury regulations promulgated thereunder.

NOTICE TO RESIDENTS OF MALAYSIA

THE LODGEMENT OF DOCUMENTS AND INFORMATION RELATING TO THE PROGRAM WILL BE MADE WITH THE SECURITIES COMMISSION MALAYSIA IN ACCORDANCE WITH THE GUIDELINES ON UNLISTED CAPITAL MARKET PRODUCTS UNDER THE LODGE AND LAUNCH FRAMEWORK FIRST ISSUED BY THE SECURITIES COMMISSION MALAYSIA ON MARCH 9, 2015 AND REVISED ON NOVEMBER 12, 2020 (AS MAY BE AMENDED FROM TIME TO TIME) AND ANY APPLICABLE APPROVAL FROM THE SECURITIES COMMISSION MALAYSIA WILL BE OBTAINED PRIOR TO ANY INVITATION TO SUBSCRIBE FOR, OR ANY OFFER TO PURCHASE THE NOTES BEING MADE IN MALAYSIA. ANY LODGEMENT WITH THE SECURITIES COMMISSION MALAYSIA SHALL NOT BE TAKEN TO INDICATE THAT THE SECURITIES COMMISSION MALAYSIA RECOMMENDS THE SUBSCRIPTION OR PURCHASE OF THE NOTES UNDER THE PROGRAM.

THIS OFFERING CIRCULAR HAS NOT BEEN REGISTERED AS A PROSPECTUS WITH THE SECURITIES COMMISSION MALAYSIA UNDER THE CAPITAL MARKETS AND SERVICES ACT 2007 OF MALAYSIA AND ACCORDINGLY, THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, NOR MAY ANY DOCUMENT OR OTHER MATERIAL IN CONNECTION THEREWITH BE DISTRIBUTED IN MALAYSIA, OTHER THAN TO PERSONS FALLING WITHIN ANY ONE OF THE CATEGORIES OF PERSONS SPECIFIED UNDER PART I OF SCHEDULE 6 (OR SECTION 229(1)(B)), PART I OF SCHEDULE 7 (OR SECTION 230(1)(B)), AND SCHEDULE 8 (OR SECTION 257(3)), READ TOGETHER WITH SCHEDULE 9 (OR SECTION 257(3)) OF THE CAPITAL MARKETS AND SERVICES ACT 2007, OF MALAYSIA, SUBJECT TO ANY LAW, ORDER, REGULATION OR OFFICIAL DIRECTIVE OF THE CENTRAL BANK OF MALAYSIA, THE SECURITIES COMMISSION MALAYSIA AND/OR ANY OTHER REGULATORY AUTHORITY FROM TIME TO TIME.

IN ADDITION, RESIDENTS OF MALAYSIA MAY BE REQUIRED TO OBTAIN RELEVANT REGULATORY APPROVALS, INCLUDING APPROVAL FROM THE CONTROLLER OF FOREIGN EXCHANGE TO PURCHASE THE NOTES. THE ONUS IS ON THE MALAYSIAN RESIDENTS CONCERNED TO OBTAIN SUCH REGULATORY APPROVALS AND NONE OF THE DEALERS IS RESPONSIBLE FOR ANY INVITATION, OFFER, SALE OR PURCHASE OF THE NOTES AS AFORESAID WITHOUT THE NECESSARY APPROVALS BEING IN PLACE.

AN INVITATION TO SUBSCRIBE FOR, OR AN OFFER TO PURCHASE THE NOTES MAY ONLY BE MADE INTO LABUAN IF SUCH NOTES ARE OFFERED FOR SUBSCRIPTION OR SALE, SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF, DIRECTLY OR INDIRECTLY TO A PERSON FALLING, OR IF SUCH OFFER OR INVITATION FALLS, WITHIN SECTION 8(5) OF THE LABUAN FINANCIAL SERVICES AND SECURITIES ACT 2010.

IN ACCORDANCE WITH THE CAPITAL MARKETS AND SERVICES ACT 2007 OF MALAYSIA, A COPY OF THIS OFFERING CIRCULAR WILL BE DEPOSITED WITH THE

SECURITIES COMMISSION MALAYSIA WITHIN 7 DAYS FROM THE DATE THIS OFFERING CIRCULAR IS MADE AVAILABLE PURSUANT TO AN OFFERING IN MALAYSIA. THE SECURITIES COMMISSION MALAYSIA SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE ISSUERS OR PETRONAS AND ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS MADE OR OPINIONS OR REPORTS EXPRESSED IN THIS OFFERING CIRCULAR. THE ISSUE, OFFER OR INVITATION IN RELATION TO THE PROGRAM OR THE ISSUANCE OF THE NOTES THEREUNDER OR OTHERWISE ARE SUBJECT TO THE FULFILLMENT OF VARIOUS CONDITIONS PRECEDENT, INCLUDING, WITHOUT LIMITATION, THE LODGEMENT OF THE DOCUMENTS AND INFORMATION RELATING TO THE PROGRAM WITH THE SECURITIES COMMISSION MALAYSIA. EACH RECIPIENT OF THIS OFFERING CIRCULAR ACKNOWLEDGES AND AGREES THAT ANY LODGEMENT WITH THE SECURITIES COMMISSION MALAYSIA SHALL NOT BE TAKEN TO INDICATE THAT THE SECURITIES COMMISSION MALAYSIA RECOMMENDS THE SUBSCRIPTION OR PURCHASE OF THE NOTES UNDER THE PROGRAM.

THE LABUAN INTERNATIONAL FINANCIAL EXCHANGE AND BURSA MALAYSIA SECURITIES BERHAD EACH TAKE NO RESPONSIBILITY FOR THE CONTENTS OF THIS OFFERING CIRCULAR, MAKE NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIM ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON ANY PART OF THE CONTENTS OF THIS OFFERING CIRCULAR. ANY APPROVAL OF AND THE ADMISSION OF THE NOTES TO THE OFFICIAL LISTS OF THE LABUAN INTERNATIONAL FINANCIAL EXCHANGE AND BURSA MALAYSIA (EXEMPT REGIME) SHALL NOT BE TAKEN TO INDICATE THAT THE LABUAN INTERNATIONAL FINANCIAL EXCHANGE AND BURSA MALAYSIA RECOMMEND THE SUBSCRIPTION OR PURCHASE OF THE NOTES OR AS AN INDICATION OF THE MERITS OF THE ISSUERS, PETRONAS OR THE NOTES. INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS OFFERING CIRCULAR BEFORE INVESTING. IF IN DOUBT, AN INVESTOR SHOULD CONSULT HIS OR HER ADVISORS.

NOTICE TO CANADIAN INVESTORS

The Notes will be sold in Canada on a private placement basis to purchasers that are “accredited investors” and in certain circumstances are also “permitted clients”, each as defined under applicable Canadian provincial securities laws, and on a private placement basis subject to applicable law. See “*Subscription and Sale and Transfer and Selling Restrictions—Representations of Canadian Investors.*”

Each Relevant Dealer has, severally and not jointly, represented to and agreed with us that the sale and delivery of the Notes to any purchaser resident in a province of Canada by such Dealer will be made so as to be exempt from the prospectus filing requirements, and so as to be exempt from or made in compliance with applicable dealer registration requirements of all applicable Canadian securities laws, regulations, rules, instruments, rulings and orders, including those applicable in each of the provinces of Canada and the applicable policy statements issued by any securities regulator having jurisdiction. Each Relevant Dealer has also, severally and not jointly, represented to and agreed with the Issuers and the Guarantor that such Dealer has not and will not provide to any purchaser any document or other material that would constitute an offering memorandum (other than this Offering Circular) with respect to the private placement of the Notes in the provinces of Canada within the meaning of applicable Canadian provincial securities laws.

ENFORCEABILITY OF CIVIL LIABILITIES

PETRONAS is incorporated in Malaysia with limited liability. PETRONAS Capital Limited is incorporated in Labuan, Malaysia with limited liability. Substantially all of the assets of PETRONAS Capital Limited and a significant part of the assets of PETRONAS are located in Malaysia. In addition, all of the directors and executive officers of PETRONAS and PETRONAS Capital Limited are located in Malaysia and all or a substantial portion of the assets of such persons are located in Malaysia. As a result, it may not be possible for investors to effect service of process outside of Malaysia upon such persons or to enforce judgments obtained in courts outside of Malaysia, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States, against such persons, PETRONAS or PETRONAS Capital Limited. PETRONAS and PETRONAS Capital Limited have been advised by Kadir Andri & Partners, their Malaysian counsel, that there is doubt as to the enforceability in Malaysian courts, in original actions or in actions for the enforcement of judgments of United States courts, of civil liabilities predicated upon the federal securities laws of the United States.

A judgment obtained against PETRONAS or PETRONAS Capital Limited in a court of a reciprocating country (as listed in the Reciprocal Enforcement of Judgments Act 1958 (Revised 1972) of Malaysia (the “**Enforcement Act**”)) in respect of any sum payable by PETRONAS or PETRONAS Capital Limited under the Notes, the Guarantee or the amended and restated agency agreement entered into among the Issuers, PETRONAS, The Bank of New York Mellon, London Branch as the Principal Paying Agent, The Bank of New York Mellon as the Paying Agent, Transfer Agent, Exchange Agent and DTC Registrar, and The Bank of New York Mellon SA/NV, Luxembourg Branch as the Euroclear/Clearstream Registrar and Transfer Agent and the other parties named therein on February 26, 2021, and with respect only to any Notes which clear through CDS, reference to the Agency Agreement includes the sub-paying agency agreement dated as of February 26, 2021 among the Issuers, the Guarantor, the Principal Paying Agent and the CDS Registrar (the “**Agency Agreement**”), may be recognized and enforced by the courts of Malaysia upon registration of the judgment with the courts of Malaysia under the Enforcement Act within six years after the date of the judgment, or, where there have been proceedings by way of appeal against the judgment, after the date of the last judgment given in those proceedings, so long as the judgment:

- is not inconsistent with public policy in Malaysia;
- was not given or obtained by fraud or duress or in a manner contrary to natural justice;
- is not directly or indirectly for the payment of taxes or other charges of a like nature or of a fine or other penalty;
- was of a court of competent jurisdiction of such jurisdiction and the judgment debtor being the defendant in the original court received notice of those proceedings in sufficient time to enable it to defend the proceedings;
- has not been wholly satisfied;
- is final and conclusive between the parties;
- could be enforced by execution in the country of that original court;
- is for a fixed sum;

- is not directly or indirectly intended to enforce the penal laws or sanctions imposed by the authorities of such jurisdiction;
- is not preceded by a final and conclusive judgment by a court having jurisdiction in that matter; and
- is vested in the person by whom the application for registration was made.

Under current Malaysian law, any judgment obtained for a fixed sum against PETRONAS or PETRONAS Capital Limited in a court of a foreign jurisdiction with which Malaysia has no arrangement for reciprocal enforcement of judgments, after due service of process, may, at the discretion of the courts of Malaysia be actionable in the courts of Malaysia by way of a suit on a debt if such judgment is final and conclusive. However, such action may be met with defenses, including but not limited to those listed above. There is currently no agreement for reciprocal enforcement of judgments between Malaysia and the United States, and as such the United States is not a reciprocating country under the First Schedule of the Enforcement Act and the Enforcement Act does not apply to judgments obtained in the United States. Accordingly, even if a United States court were to rule in an investor's favor, it may be difficult to enforce such judgments in Malaysia. Due to the absence of reciprocal arrangements, judgments obtained in a United States court will only be enforced in Malaysia in accordance with the common law principles and fresh proceedings must be instituted by the judgment creditor and upon re-litigation and re-examination of the issues.

PETRONAS is incorporated in Malaysia with limited liability. PETRONAS Capital Limited is incorporated in Labuan, Malaysia with limited liability. The Notes and the Guarantees will be governed by, and construed in accordance with, the laws of the State of New York, United States. In addition, all of the directors and executive officers of PETRONAS and PETRONAS Capital Limited, and some of the directors and executive officers of PETRONAS Energy Canada Ltd., are located in Malaysia and, as a result, it may not be possible for Canadian investors to effect service of process within Canada upon PETRONAS, PETRONAS Capital Limited or such persons. Substantially all of the assets of PETRONAS Capital Limited and a significant part of the assets of PETRONAS are located in Malaysia and, as a result, it may not be possible to satisfy a judgment against PETRONAS, PETRONAS Capital Limited or such persons in Canada or to enforce a judgment obtained in Canadian courts against PETRONAS, PETRONAS Capital Limited or such persons outside of Canada.

PETRONAS Energy Canada Ltd. is incorporated under the laws of the Province of Alberta, Canada. The Notes and the Guarantees will be governed by, and construed in accordance with, the laws of the State of New York, United States. In addition, some of the directors and executive officers of PETRONAS Energy Canada Ltd. are located in Canada and, as a result, it may not be possible for investors outside of Canada to effect service of process in Canada upon PETRONAS Energy Canada Ltd. or such persons or to enforce in Canada judgments obtained against PETRONAS Energy Canada Ltd. or such persons in courts outside of Canada.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with sales of the Notes, each of the Issuer and the Guarantor will be required to furnish, upon request, to a Noteholder (as defined in “*Terms and Conditions of the Notes*”) and a prospective investor designated by such Noteholder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act unless at the time of the request such Issuer or Guarantor is a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), or is exempt from the registration requirements of Section 12(g) of the Exchange Act (and therefore is required to publish on its website, in English, certain information pursuant to Rule 12g3-2(b) under the Exchange Act).

PRESENTATION OF FINANCIAL INFORMATION AND OTHER DATA

Financial Data

PETRONAS' audited financial statements for the years ended December 31, 2018, 2019 and 2020 included elsewhere in this Offering Circular are presented in accordance with Malaysian Financial Reporting Standards ("MFRS") issued by the Malaysian Accounting Standards Board, International Financial Reporting Standards and the requirements of the Malaysian Companies Act 2016. MFRS differs in significant respects from accounting principles generally accepted elsewhere. In making an investment decision, investors must rely on their own examination of the Issuers and PETRONAS, the terms of the offering and the financial information contained in this Offering Circular. Potential investors should consult their own professional advisors for an understanding of the differences between MFRS, on the one hand, and accounting principles generally accepted elsewhere on the other hand, and how these differences might affect their understanding of the financial information contained herein.

PETRONAS' financial statements are audited and published annually. PETRONAS does not publish complete interim financial statements, but does currently publish certain unaudited summary financial information on a quarterly basis.

Rounding

Certain amounts and percentages included in this Offering Circular have been rounded. Accordingly, in certain instances, the sum of the numbers in a column may not exactly equal the total figure for that column.

Non-GAAP Financial Measures

As used in this Offering Circular, a non-GAAP financial measure is one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable MFRS measures. From time to time, reference is made in this Offering Circular to such "non-GAAP financial measures," primarily Adjusted EBITDA (as defined herein). For more detailed information concerning Adjusted EBITDA and other non-GAAP financial measures used in this Offering Circular, see "*Summary—Summary Consolidated Financial Information—Other Financial Information*" and "*Selected Consolidated Financial Data—Other Financial Information*." The non-GAAP financial measures described herein are not a substitute for MFRS measures of earnings or cash flows. Adjusted EBITDA has been included because it is widely used as a financial measure of the potential capacity of a company to incur and service debt. Adjusted EBITDA and other non-GAAP financial measures presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare PETRONAS' Adjusted EBITDA and the other non-GAAP financial measures used herein to adjusted EBITDA and other similarly titled non-GAAP financial measures presented by other companies because not all companies use the same definitions.

Currency References

In this Offering Circular, references to "ringgit" or "RM" are to the currency of Malaysia, references to "U.S. dollar," "\$," "U.S.\$," "US\$" or "USD" are to the currency of the United States of America, references to "CAD," or "C\$" are to the currency of Canada, references to "euro" or "€" are to the currency of the Eurozone, references to "yen," "¥" or "JPY" are to the currency of Japan, references to "Australian dollar" are to the currency of Australia, references to "pounds sterling,"

“£” or “GBP” are to the currency of the United Kingdom, references to “Renminbi” or “CNY” are to the currency of the People’s Republic of China, references to “HK\$” are to the currency of Hong Kong Special Administrative Region of the People’s Republic of China and references to “ZAR” are to the currency of South Africa.

Oil and Gas Reserves and Resources

Petroleum resources are key elements in PETRONAS’ investment decision-making process. Accordingly, PETRONAS has established the PETRONAS Reserves and Resources Management System (“PRrMS”) and developed—and maintains through regular updates—its “*Definitions and Guidelines for Classifications of Petroleum Resources*” (the “PRrMS Guidelines”). The PRrMS Guidelines may differ in certain respects with reserves disclosure standards applicable to an offering registered under the Securities Act or to reserve disclosure standards applicable to “reporting issuers” under National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.”

“Petroleum resources” is defined in the PRrMS Guidelines as consisting of both discovered reserves and resources and undiscovered resources. Discovered reserves and resources are further classified into reserves and contingent resources. The term “reserves” describes the recoverable quantity of petroleum resources that are commercially viable for development given the prevailing economic situation, in particular the prices of liquids and natural gas, present at the time of estimation. The term “contingent resources” describes the recoverable quantity of petroleum resources that are not currently considered to be commercially recoverable. The reason for non-commerciality could be due to economic, political, environmental or technological reasons. Undiscovered resources are classified as prospective resources. The term “prospective resources” describes those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects.

The range of uncertainty of the recoverable and/or potentially recoverable volumes may be represented by either deterministic scenarios or by a probability distribution. Reserves and contingent resources are estimated using either deterministic or probabilistic method, whereas prospective resources are estimated using probabilistic method. The deterministic method is a single best estimate made for each of the low, best and high scenarios based on known geological, engineering and economic data, while in the probabilistic method known geological, engineering and economic data are used to generate a range of estimates and their associated probabilities.

Range of uncertainties are represented by low/best/high estimates. For reserves, the general cumulative terms low/best/high estimates are denoted as 1P/2P/3P, respectively, which could also be defined based on their incremental quantities as “proved,” “proved plus probable” and “proved plus probable plus possible.” “Proved reserves,” or 1P, refers to the estimated quantities of oil and natural gas that geological and engineering data demonstrate have reasonable certainty of being recovered in future years from known reservoirs under current economic conditions, operating methods, and government regulations. “Proved plus probable reserves,” or 2P, refers to 1P reserves plus the estimated quantities of oil and natural gas that geological and engineering data suggests are more likely than not to be recoverable but technical, contractual, economic, or regulatory uncertainties preclude such reserves being classified as proved. “Proved plus probable plus possible reserves,” or 3P, refers to 2P reserves plus the estimated quantities of oil and natural gas that geological and engineering data suggest are less likely to be recoverable than probable reserves but technical, contractual, economic, or regulatory uncertainties preclude such reserves being classified as probable or proved. The equivalent categories for contingent resources are 1C, 2C and 3C. 1C refers to “low estimate of contingent resources,” 2C refers to “best estimate of contingent resources,” and 3C refers to “high estimate of contingent resources.”

PETRONAS estimates Malaysia's petroleum resources based on estimates submitted by the contractors under its production sharing contracts ("**PSC Contractors**") and risk-service contracts ("**RSC Contractors**"), that is, within the area in which they operate as well as resource estimates from PETRONAS' own appraisals and discoveries. These petroleum resources are estimated in accordance with the PRrMS Guidelines. Similarly, PETRONAS also estimates its international petroleum resources in accordance with the PRrMS Guidelines. The latest revision of the PRrMS Guidelines in 2020 is closely aligned with the Society of Petroleum Engineers' Petroleum Resources Management System guidelines, which were updated and issued in 2018.

All petroleum resources data are estimates, which are revised when additional information becomes available (for example, when additional wells are drilled or when actual production commences). In Malaysia, all changes in petroleum resources data undergo technical assurance validation and endorsement via appropriate engagement by PSC Contractors and RSC Contractors with the relevant technical department in PETRONAS. PETRONAS conducts its Annual Review of Petroleum Resources to review all petroleum resources changes prior to submission by PSC and RSC Contractors to PETRONAS. PETRONAS' own appraisals undergo similar technical assurance validation and endorsement. This annual exercise focuses on the validation of key reasons for resources changes as well as compliance with the PRrMS Guidelines. It is also an avenue to consolidate petroleum resources estimates for PETRONAS.

PETRONAS has established an independent central team to ensure full compliance with the objective and intent of the PRrMS Guidelines. A key governance requirement in the PRrMS Guidelines is that all of PETRONAS' petroleum resources, whether operated by PETRONAS and its subsidiaries or by PSC Contractors and RSC Contractors, are subject to an independent reserves and resources audit by this central team, at least once every four years or more often, in the event of any special requirements as determined by PETRONAS' management. In cases where a fully independent third-party audit is not conducted, PETRONAS' reserves and resources department is required to perform independent audits on PETRONAS' hydrocarbon portfolio to assess the integrity and robustness of PETRONAS' reserves and resources as reported in its Annual Review of Petroleum Resources to be approved by the PETRONAS Executive Leadership Team. The most recent independent third-party audit of PETRONAS' petroleum resources was conducted in April 2019 and the most recent internal audit was conducted by PETRONAS' reserves and resources department from March to August 2020 and reflected in PETRONAS' reserves and resources estimates as at January 1, 2021, see "*Business—Upstream Segment—Discovered Reserves and Resources*."

SUPPLEMENTAL OFFERING CIRCULAR

The Issuers and the Guarantor have given an undertaking to the Dealers that if the Issuer and the Guarantor have notified the Arrangers or the Dealers that the Issuer intends to issue Notes under the Program for the time being, and if a significant new factor, material mistake or material inaccuracy arises or is noted relating to the information included in this Offering Circular which is capable of affecting an assessment by investors of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and/or the Guarantor and/or the rights attaching to the Notes, the Issuer and the Guarantor shall prepare and publish an amendment or supplement to or replacement of this Offering Circular.

FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISKS

Certain statements in this Offering Circular are not historical facts and are "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the

Exchange Act. This Offering Circular may contain words such as “believe,” “could,” “may,” “will,” “target,” “estimate,” “project,” “predict,” “forecast,” “guideline,” “should,” “plan,” “expect” and “anticipate” and similar expressions that are intended to identify forward-looking statements, but are not the exclusive means of identifying these statements. Specifically, all statements under the captions “*Summary—PETRONAS*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Business*” relating to the following matters may include forward-looking statements:

- the expected results of exploration, production and refining activities and related capital expenditures and investments;
- the anticipated demand for, and ability to extract, crude oil or natural gas;
- environmental compliance and remediation;
- the anticipated demand for petroleum products and petrochemicals and related capital expenditures and investments;
- projections of capital expenditures in general and other financial items;
- generation of future receivables; and
- sales to customers.

Such statements are subject to certain risks and uncertainties, including, but not limited to:

- changes in global economic and social conditions;
- substantial or extended declines in the prices of crude oil and related oil and gas products, or volatility in the prices of these products;
- the COVID-19 outbreak or other outbreaks of communicable diseases;
- changes in global or regional political situations;
- changes in economic and political conditions in Malaysia and other countries in which PETRONAS operates, transacts business or has interests;
- increases in regulatory burdens in Malaysia and countries where PETRONAS operates, transacts business or has interests;
- accidents and natural disasters;
- cybersecurity risks;
- changes in PETRONAS’ relationship with the Government of Malaysia;
- changes in import controls or import duties, levies or taxes, either in international markets or in Malaysia;
- changes in laws, regulations, taxation or accounting standards or practices;

- changes in prices or demand for products produced by PETRONAS or any of its subsidiaries or affiliates, both in Malaysia and in international markets, as a result of competitive actions or economic factors, such as inflation or exchange rate fluctuations;
- the risks of increased costs in related technologies and the uncertainty of such technologies producing expected results;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- resource nationalization;
- aboriginal claims and treaty rights;
- acquisitions or divestitures; and
- PETRONAS' success at managing the risks of the aforementioned factors.

In addition, the expectations of PETRONAS' management with respect to exploration activities, whether conducted by PETRONAS Carigali Sdn. Bhd. ("**PETRONAS Carigali**"), any other subsidiary or affiliate of PETRONAS, or any of the PSC Contractors, are subject to risks arising from the inherent difficulty of predicting the presence, yield or quality of oil and gas deposits, as well as unknown or unforeseen difficulties in extracting, transporting or processing any oil and gas found, or doing so on an economic basis.

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

GENERAL DESCRIPTION OF THE PROGRAM

Under the Program, each of the Issuers may, with the consent of the Guarantor, from time to time issue Notes denominated in any currency (other than the Malaysian ringgit), subject as set out herein. A summary of the terms and conditions of the Program and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer, the Guarantor and the Relevant Dealer(s) prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under “*Form of the Notes.*”

This Offering Circular and any supplement will only be valid for Notes issued under the Program in an aggregate principal amount which, when added to the aggregate principal amount then outstanding of all Notes previously or simultaneously issued under the Program, does not exceed U.S.\$15,000,000,000 or its equivalent in other currencies. From time to time PETRONAS may increase the aggregate principal amount of Notes that may be issued under the Program, subject to certain conditions set out in the Program Agreement.

Each Series of Notes may be listed on the Hong Kong Stock Exchange, the Labuan International Financial Exchange, Bursa Malaysia (Exempt Regime) and/or any other stock exchange, as may be agreed upon among the Issuer, the Guarantor and the Relevant Dealer(s) and specified in the applicable Pricing Supplement, or may be unlisted. Further, Notes that are initially listed on an exchange may subsequently be de-listed under limited circumstances.

SUMMARY OF THE PROGRAM

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, reference to, and must be read in conjunction with, the detailed information appearing in the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement.

Phrases used in the following summary that are not otherwise defined in this summary have the meanings given to them in “Terms and Conditions of the Notes.”

Issuer	PETRONAS Capital Limited (with the legal entity identifier of 549300G7YFX3540OYR85), PETRONAS Energy Canada Ltd. (with the legal entity identifier of 5493001PEB90YGTDC638) or any New Issuer(s) that accedes to the Program in accordance with the terms of the Program Agreement and the Agency Agreement.
Guarantor	Petroliam Nasional Berhad (PETRONAS).
Arrangers	Merrill Lynch (Singapore) Pte. Ltd., Citigroup Global Markets Limited, The Hongkong and Shanghai Banking Corporation Limited, Malayan Banking Berhad and MUFG Securities Asia Limited.
Dealers	Merrill Lynch (Singapore) Pte. Ltd., Citigroup Global Markets Limited, The Hongkong and Shanghai Banking Corporation Limited, Malayan Banking Berhad and MUFG Securities Asia Limited and any other Dealer(s) appointed from time to time by the Issuers and PETRONAS in accordance with the terms of the Program Agreement. References in this Offering Circular to the “ Relevant Dealer(s) ” shall, in relation to the issue of any Note, be references to the Dealer or Dealers with whom the Issuer and the Guarantor have concluded or are negotiating an agreement for the issue of such Note.
Description	Multi-currency Global Medium Term Note Program.
Program Limit	U.S.\$15,000,000,000 (or its equivalent in other currencies) outstanding at any time. PETRONAS may increase the Program Limit in accordance with the terms of the Program Agreement.
Principal Paying Agent	The Bank of New York Mellon, London Branch.
DTC Registrar, Paying Agent, Exchange Agent and Transfer Agent	The Bank of New York Mellon.
Euroclear/Clearstream Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch.

CDS Registrar Paying Agent, Authentication Agent and Transfer Agent	BNY Trust Company of Canada.
Currency	Notes may be denominated in, subject to any applicable legal or regulatory restrictions, any currency (other than the Malaysian ringgit) agreed between the Issuer, PETRONAS and the Relevant Dealer(s). Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies (other than the Malaysian ringgit) other than the currency in which such Notes are denominated.
Method of Issuance	The Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the Issue Date, the Interest Commencement Date (if applicable) and/or the Issue Price (if applicable) may be different in respect of different Tranches. The Notes of each Tranche will be subject to identical terms in all respects.
Maturities	The Notes will have such maturities as may be agreed between the Issuer, PETRONAS and the Relevant Dealer(s), subject to compliance with all relevant laws and regulations.
Issue Price	The Notes may be issued on a fully paid or a partly paid basis and at an issue price which is at par or at a discount to, or premium over, par (as specified in the applicable Pricing Supplement). The price and amount of Notes to be issued will be determined by the Issuer, PETRONAS and the Relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
Form and Denomination	The Notes will be issued in bearer or registered form as described in “<i>Form of the Notes.</i>” Registered Notes will not be exchangeable for Bearer Notes and vice versa. Notes offered in the United States and Canada or to, or for the account or benefit of, U.S. persons will only be issued in registered form. Notes sold in the United States to Institutional Accredited Investors will be represented by definitive Notes in certificated form. The Notes will be issued in such denominations as may be agreed between the Issuer, PETRONAS and the Relevant Dealer(s) and as specified in the applicable Pricing Supplement, save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body)

or any laws or regulations applicable to the relevant Specified Currency. Unless otherwise stated in the applicable Pricing Supplement, Notes sold to Institutional Accredited Investors and QIBs will be in minimum denominations of U.S.\$500,000 (or its foreign currency equivalent) or U.S.\$200,000 (or its foreign currency equivalent), respectively.

Ranking The Notes and any Receipts and Coupons relating thereto under the Program will be direct, unconditional, unsubordinated and (subject to Condition 4 (*Certain Covenants*)) unsecured general obligations of the Issuer and will, subject to the Conditions of the Notes, at all times rank *pari passu*, without any preference among themselves and equally with all other outstanding unsecured and unsubordinated general obligations of the Issuer. See Condition 3 (*Status of the Notes; Guarantee*).

Guarantee PETRONAS will unconditionally and irrevocably guarantee the payment of the principal and premium, if any, and interest, if any, on the Notes issued under the Program and the related Receipts and Coupons, when and as the same shall become due and payable, whether on the relevant Maturity Date, upon acceleration, by call for redemption or otherwise. The Guarantee will be a direct, unconditional, unsubordinated and (subject to Condition 4 (*Certain Covenants*)) unsecured obligation of PETRONAS and will, subject to the Conditions of the Notes, at all times rank *pari passu* and equally with all other outstanding unsecured and unsubordinated general obligations of PETRONAS. See Condition 3 (*Status of the Notes; Guarantee*).

Fixed Rate Notes Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the Relevant Dealer(s) (as specified in the applicable Pricing Supplement) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer, PETRONAS and the Relevant Dealer(s) (as specified in the applicable Pricing Supplement).

Floating Rate Notes Floating Rate Notes will bear interest at a rate determined:

(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (c) on such other basis as may be agreed between the Issuer, PETRONAS and the Relevant Dealer(s) (as specified in the applicable Pricing Supplement).

The margin (if any) relating to such floating rate will be agreed between the Issuer, PETRONAS and the Relevant Dealer(s) for each Series of Floating Rate Notes (as specified in the applicable Pricing Supplement).

Other provisions in relation to

Floating Rate Notes

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer, PETRONAS and the Relevant Dealer(s), will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer, PETRONAS and the Relevant Dealer(s).

Dual Currency Notes

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as agreed between the Issuer, PETRONAS and the Relevant Dealer(s) (as specified in the applicable Pricing Supplement).

Zero Coupon Notes

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Ratings

The rating of certain Series of the Notes to be issued under the Program may be specified in the applicable Pricing Supplement.

Credit ratings are not a recommendation to purchase, hold or sell Notes and may be subject to suspension, change or withdrawal at any time by the assigning rating agencies.

Negative Pledge

PETRONAS (not including any of its subsidiaries) has covenanted that, subject to certain exceptions and so long as any of the Notes issued under the Program remain outstanding, it will not create, incur or have outstanding any mortgage, pledge, lien, charge, encumbrance or any other security interest upon the whole or any part of its property or assets, present or future, to secure for the benefit of the holders of any existing or future Indebtedness (as defined below) of itself or any other person (or to secure for the

benefit of the holders thereof any guarantee or indemnity in respect thereof) without, in any such case, effectively providing that the obligations of PETRONAS as guarantor under the Notes shall be secured equally and ratably with or prior to such Indebtedness (or such guarantee or indemnity in respect thereof).

“Indebtedness” means any obligation for the payment or repayment of money borrowed which has a final maturity of one year or more from its date of incurrence or issuance.

Redemption

The Issuer may redeem Notes, in whole but not in part, upon the occurrence of certain events related to tax laws and regulations of a Tax Jurisdiction as provided in Condition 9 (*Taxation*). In addition, the applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified installments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer, PETRONAS and the Relevant Dealer(s). See Condition 8 (*Redemption and Purchase*).

The terms of any such redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the applicable Pricing Supplement.

Listing

Application has been made for the listing of the Program for 12 months after the date of this Offering Circular for debt issues to Professional Investors only on the Hong Kong Stock Exchange. If so specified in the applicable Pricing Supplement, application will be made for the listing of Notes issued under the Program on the Hong Kong Stock Exchange for debt issues to Professional Investors only during the 12-month period after the date of this Offering Circular on the Hong Kong Stock Exchange. With respect to any Notes that may be issued by the Labuan Issuer pursuant to the Program and which are agreed at or prior to the time of issue thereof to be listed, approval-in-principle has been obtained on March 5, 2015 for (a) listing of such Notes on, and admission to the Official List of, the Labuan International Financial Exchange and (b) for listing of such Notes on, and admission to the Official List of, Bursa Malaysia under the Bursa Malaysia (Exempt Regime). With respect to any Notes that may be issued by the Canadian Issuer pursuant to the Program and

which are agreed at or prior to the time of issue thereof to be listed, approval-in-principle, if applicable, will be obtained for (a) listing of such Notes on, and admission to the Official List of, the Labuan International Financial Exchange and (b) for listing of such Notes on, and admission to the Official List of, Bursa Malaysia under the Bursa Malaysia (Exempt Regime).

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer, the Guarantor and the Relevant Dealer(s) in relation to the Series of Notes. Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

Use of Proceeds Unless otherwise stated in the applicable Pricing Supplement, substantially all of the net proceeds from its issue of Notes will be provided by the Labuan Issuer to PETRONAS or its subsidiaries and associated companies. PETRONAS or its subsidiaries and associated companies is expected to, in turn, use the proceeds for general corporate purposes. Unless otherwise stated in the applicable Pricing Supplement, the Canadian Issuer intends to utilize the net proceeds from its issue of Notes to fund its exploration, development and production activities, for debt refinancing and for general corporate purposes.

Taxation All payments of principal and interest in respect of the Notes, Receipts and Coupons or under the Guarantee will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction as provided in Condition 9 (*Taxation*), unless otherwise required by applicable law. In the event that any such withholding or deduction is made, the Issuer or, as the case may be, PETRONAS will, save in certain limited circumstances provided in Condition 9 (*Taxation*), be required to pay additional amounts as would have been paid had no such withholding or deduction been required.

Governing Law New York.

Selling Restrictions For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of offering material in the United States of America, the EEA, the United Kingdom, Malaysia, Japan, Singapore, Hong Kong, the United

Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, Qatar, Bahrain, Kuwait, Canada, Taiwan (ROC) and Korea and other restrictions as may apply in connection with the offering and sale of a particular Series of Notes, see “*Subscription and Sale and Transfer and Selling Restrictions.*”

Transfer Restrictions The Notes will not be registered under the Securities Act and are subject to certain restrictions on transfers. See “*Subscription and Sale and Transfer and Selling Restrictions.*”

Risk Factors Investing in the Notes issued under the Program involves risks. You should carefully consider all information set forth in this Offering Circular. In particular, potential investors should carefully read the section entitled “*Risk Factors*” before purchasing any of the Notes.

SUMMARY

This summary highlights certain information contained elsewhere in this Offering Circular. You should read the entire Offering Circular carefully, including the sections regarding “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

PETRONAS

PETRONAS is a leading multinational, integrated energy company with a global presence in over 50 countries. PETRONAS is Malaysia’s sole company listed in the “Fortune Global 500,” and for over two decades, PETRONAS has ranked alongside the world’s largest corporations.

PETRONAS is engaged in a broad spectrum of upstream and downstream oil and gas, LNG and new energy, chemical, and other operations. PETRONAS conducts its operations directly and through its subsidiaries and associated companies.

- *Upstream Segment.* PETRONAS’ upstream segment encompasses exploration, development and production of crude oil and natural gas, covering a broad portfolio of resources and play types in more than 20 countries.
- *Gas and New Energy Segment.* PETRONAS’ gas and new energy segment is a one-stop center for cleaner energy solutions, with a structure that reflects PETRONAS’ commitment to advance as a cleaner energy solutions partner. This segment includes the global liquefaction, marketing and trading of LNG; the processing, marketing and trading of natural gas products in Malaysia and international markets; the operation of gas infrastructure and utilities, as well as renewable energy power supply, which is currently focused on providing solar and wind power to commercial, industrial and utility customers in Malaysia and internationally.
- *Downstream Segment.* PETRONAS’ downstream segment comprises multiple businesses and plays a strategic role in enhancing value to molecules through an integrated operation, underpinned by operational and commercial excellence. The segment’s diverse activities include the refining, trading, and marketing of crude oil and petroleum products as well as the manufacturing and marketing of chemical products for local and international consumption.
- *Corporate and Others Segment.* PETRONAS’ corporate and others segment primarily includes its logistics and maritime sector, property sector, and corporate functions, including research, technology and digital.

PETRONAS’ Statement of Purpose is to be “a progressive energy and solutions partner enriching lives for a sustainable future,” demonstrating its commitment to going beyond delivering products and services, but also fulfilling energy needs in a responsible and holistic manner.

To ensure continued relevance and long-term sustainability in the ever-changing energy industry, PETRONAS focuses on progressing its three-pronged growth strategy:

- *First, maximize PETRONAS’ cash generators—continuous investments in Malaysia and international assets that provide a solid foundation to sustain PETRONAS and support its*

growth. PETRONAS aims to maximize the value of its Malaysian integrated value chain through operational and commercial excellence. PETRONAS also intends to monetize its gas resources and continue its focus on Southeast Asia to pursue resource monetization and further exploration opportunities.

- *Second, expand PETRONAS' core businesses—investments in value-adding opportunities in its core business for growth and value enhancement.* PETRONAS aims to improve and diversify its upstream business portfolio by focusing on delivering material oil in Atlantic basins, expanding its positioning for unconventional resources in North America and obtaining steady cash flows from proven reserves. Using the integrated business model from its Refinery and Petrochemical Integrated Development (“RAPID”) in Malaysia, PETRONAS intends to expand its value chain into adjacent products. PETRONAS also aims to replicate its Malaysian integrated business model in its international markets.
- *Third, step out beyond its existing core and explore new opportunities.* PETRONAS aims to leverage its strong petrochemical foundations to venture into specialty chemical products. Furthermore, PETRONAS is positioning itself in the renewable energy space as it seeks to make the company future-proof as a reliable provider of cleaner energy solutions.

PETRONAS' three-pronged growth strategy has paved the way for it to pursue its growth agenda, which is expected to help future-proof its businesses.

Competitive Strengths

PETRONAS believes that its success is primarily attributable to the following factors:

- ***Strategic and Advantaged Presence in Malaysia***

The Petroleum Development Act of 1974 vests in PETRONAS the sole rights to all of Malaysia's oil and gas resources, giving it a unique and advantaged position in the country. Malaysia is PETRONAS' principal area of operations and the foundation of its long term success, as well as the initial proving ground for PETRONAS' extensive operating capabilities.

Malaysia is a highly prolific hydrocarbon region. As at January 1, 2021, PETRONAS had discovered reserves and resources of 8.55 bboe of total proved plus probable reserves (“2P”) and 15.27 bboe of total best estimate of contingent resources (“2C”). Having provided a favorable and supportive macroeconomic and industrial environment, Malaysia has maintained and has been continuously improving the competitiveness of its energy industry. In addition, Malaysia has maintained investment-grade sovereign credit ratings, now rated A3 by Moody's Investors Service (“Moody's”), A- by Standard & Poor's (“S&P”) and BBB+ by Fitch Ratings (“Fitch”). Malaysia also has highly progressive energy policies—it was one of the first countries to adopt production sharing contracts (“PSCs”) in 1976, and it has continuously built a competitive and progressive industry through enhanced fiscal terms.

Supported by its strategic importance and progressive energy policies, Malaysia's oil and gas industry continues to attract a wide range of multinational industry players, including

widely known names such as Royal Dutch Shell plc (“Shell”), ConocoPhillips, and Hess Corporation (“Hess”)—many of which have been in Malaysia for decades and invested tens of billions of dollars in the country.

Over the last 48 years, as the sole oil and gas resource custodian of Malaysia, one of Asia’s most attractive hydrocarbon destinations, PETRONAS has extended its business and solidified its position as a market leader across all segments of Malaysia’s energy value chain.

- *Upstream Segment.* PETRONAS is Malaysia’s largest oil and gas producer, with its entitlement to oil and gas production accounting for approximately 75% of the country’s total production in 2020. Enjoying a unique position in Malaysia’s PSC system, PETRONAS can efficiently and profitably operate its upstream businesses, phasing both capital expenditure and growth by awarding new exploration and development contracts to third-party PSC Contractors. For further information about Malaysia’s PSC system, see “*Business—Upstream Segment—Domestic E&P Operations—Production Sharing Contracts.*”
- *Gas and New Energy Segment.* Benefiting from Malaysia’s extensive gas resources, PETRONAS has developed the PETRONAS LNG Complex (“PLC”), one of the world’s largest single-site LNG complexes, and has operated PLC with a track record of over 37 years of successful cargo deliveries. In addition to the success of PLC, PETRONAS was the first to deploy floating LNG technology in Malaysia, with the commissioning of the world’s first floating LNG facility in 2016 and the second floating LNG facility ready for commercialization in 2021. PETRONAS’ floating LNG technology allows it to monetize offshore gas that would otherwise not be commercially viable in Malaysia. Extending its gas value chain in Malaysia, PETRONAS is also the sole operator of Malaysia’s Peninsular Gas Utilization (“PGU”) system—the backbone of Malaysia’s energy infrastructure. In addition, PETRONAS is building its presence in the new energy market by investing in solar projects in Malaysia, Asia Pacific and India.
- *Downstream Segment.* PETRONAS is the market leader in Malaysia’s downstream segment, owning and operating refineries with total domestic refining capacity of 742,500 bpd (including the Pengerang Refinery, which is scheduled to begin operations later this year) and over 1,000 service stations nationwide. On the petrochemical front, PETRONAS operates two large-scale integrated petrochemical complexes in Malaysia with multinational joint venture partners such as BASF Netherlands B.V. (“BASF”) and MJPX Company Ltd.

- ***Internationally Diversified Portfolio with Fully-Integrated Operations***

Starting from the early 1990s, PETRONAS has been leveraging its extensive operational capabilities and integrated model in Malaysia to expand internationally, adding scale and profitability to its business. As a multinational major energy company, PETRONAS has expanded its global footprint either organically or through selected acquisitions, and it currently has large-scale and diversified operations in over 50 countries globally, spanning upstream exploration and production, LNG, downstream refining, chemicals, lubricants, as well as international marketing and trading activities for crude oil, refined

petroleum products, LNG, chemical products and renewable energy. PETRONAS' operations are diversified across geography, business and revenue stream.

PETRONAS has a large international discovered reserves and resources base of 3.30 bboe of 2P reserves and 6.26 bboe of 2C contingent reserves as at January 1, 2021. These international assets account for 40.1% of PETRONAS' total discovered reserves and resources as at January 1, 2021. Revenue from PETRONAS' international customers amounted to RM122.6 billion in 2020, accounting for 68.6% of its total revenue in 2020. PETRONAS also looks to sustain and expand its international operations through investments. In 2020, RM16.0 billion, or 48.0% of PETRONAS' total capital expenditures, was for its international business.

In recent years, PETRONAS has tactically improved its international investment portfolio by focusing on selected highly prolific and promising countries, specifically including,

- *Oman.* PETRONAS has capitalized on its expertise in gas resource development to participate in one of Oman's largest gas projects with the Phase 2 development of the Ghazeer gas field delivering ahead of schedule in October 2020.
- *Canada.* PETRONAS is among Canada's largest gas resource holders. PETRONAS is also a key shareholder in Canada's first major LNG project, LNG Canada, demonstrating its commitment to integrating its Canadian natural gas resources with its global LNG portfolio.
- *India.* PETRONAS acquired Amplus Energy Solutions Pte Ltd. ("Amplus") in 2019, a company specializing in solutions for rooftop and ground-mounted solar power generation, as its first platform for solar power generation growth.
- *US.* In April 2020, PETRONAS made its first successful oil discovery in the U.S. Gulf of Mexico through exploration wells in Monument Prospect.

PETRONAS also seeks to maximize value by enhancing integration across the entire value chain, which improves its margins, diversifies its revenue streams and mitigates its cash flow volatility from commodity price cycles, both in Malaysia and internationally. A recent example in Malaysia is the Pengerang Integrated Complex ("PIC"), the country's largest integrated refinery and petrochemical development, which is expected to commence operations in 2021. PIC's primary component is RAPID, an integrated crude oil refinery, naphtha cracker and petrochemical complex. RAPID is expected to commence operations later this year, producing petrochemical products including high-value, high-margin specialty chemical products that will be sold through PETRONAS' marketing network to end-customers across Southeast Asia.

PIC is strategically located in a safe and sheltered location with access to major shipping lanes and is in close proximity to key Asian markets. With PIC, PETRONAS can create synergistic value within the downstream refinery and petrochemical business through integration and operational supply chain optimization. For example, LG Chem and PETRONAS recently agreed to build a nitrile butadiene latex manufacturing plant in PIC. PETRONAS' partnership with Aramco Overseas Holding B.V. in PIC also creates

synergistic value, including access to additional international markets, enhanced operational efficiencies and project de-risking through cost sharing and product offtake.

- ***Global Leader in LNG and Well-Positioned for Continued Growth***

PETRONAS is a leading global LNG player with an integrated portfolio across the LNG value chain from production to shipping and ultimately to marketing and trading.

PETRONAS has world-leading scale for its global LNG operations, in 2020 supplying 9% of the world's consumption of LNG. In 2020, PETRONAS' LNG sales volume was 33.12 mmt. PETRONAS' LNG business accounted for 21.1% of its total revenue in the year ended December 31, 2020.

In order to profitably increase the scale of its LNG business and preserve its leading position in the global LNG market, PETRONAS has optimized its existing operations, pioneered new technologies, established new core areas of operations and exploited new sources of gas. PETRONAS is at the forefront of both geographic and resource diversification with LNG projects in Malaysia, Australia, Canada and Egypt, and its gas supply includes both conventional and unconventional sources.

PETRONAS has a strong locational advantage through its geographical proximity to the core LNG demand centers of Japan, Korea, China and Taiwan (ROC), where it has established long-standing personal and organizational relationships. It sells a substantial majority of its LNG to investment-grade customers under long-term contracts. In 2020, 94% of PLC's LNG volumes were sold into these four core markets.

PETRONAS has established a strong reputation as a stable and reliable supplier of LNG. Over the past three decades, PETRONAS has delivered over 11,500 cargoes without missing a single cargo. This operational excellence and reliability are critical to PETRONAS' customers, who are looking at long-term security for their LNG supply.

In Malaysia, PLC is PETRONAS' flagship LNG project; with PETRONAS' recent completion of its ninth train, PLC's total capacity has increased to 29.3 mmta, reinforcing PLC's leading position as one of the world's largest single-site LNG complexes. PLC also has an enviable operational record, with 94.2% plant reliability in 2020. Scale and efficiency have made PETRONAS a low-cost LNG producer.

PETRONAS' global LNG portfolio also gives it flexibility to best meet customers' requirements. In Malaysia, PETRONAS deploys floating LNG systems ("FLNG"), using some of the most advanced floating LNG technology. In the second quarter of 2016, PETRONAS deployed the world's first floating LNG facility, PFLNG Satu, in Malaysia. Floating LNG assets can be redeployed to multiple fields, which allows PETRONAS to be more flexible, efficient and economical in its LNG operations, and they support the monetization of smaller gas assets that would not be commercially viable using conventional methods. For example, in 2019 PETRONAS successfully relocated PFLNG Satu, with proven delivery of 19 cargoes following its relocation. PETRONAS' second floating LNG facility, PFLNG Dua, has a 1.5 mmta nameplate capacity and is scheduled to produce its first LNG cargo in March 2021.

Internationally, in addition to LNG projects in Australia and Egypt, PETRONAS is a major project sponsor in Canada's first LNG project through its 100% indirectly-owned subsidiary PETRONAS Energy Canada Ltd.

PETRONAS first entered into Canada through a joint venture with and subsequent acquisition of Progress Energy in 2012, which was subsequently renamed PETRONAS Energy Canada Ltd. As a 62% shareholder and operator of the North Montney Joint Venture as well as a 50% shareholder and operator of the PETRONAS-Sasol Montney Partnership ("PSMP"), PETRONAS Energy Canada Ltd. has one of the largest land positions in Canada, with approximately 900,000 gross acres, which accounts for approximately 80% of PETRONAS international gas reserves and resources as at January 1, 2021. The production from the North Montney JV is expected to supply natural gas to LNG Canada (discussed below) and the North American market.

In addition to its upstream assets, PETRONAS Energy Canada Ltd. has a 25% shareholding in LNG Canada, a five-party joint venture that is developing Canada's first major LNG export facility, a two-train LNG facility in British Columbia with 14 mmtpa capacity. This project is expected to be commissioned in 2024, and its plans include the possibility of adding two more LNG trains.

This integrated project is critical to reinforcing PETRONAS' leadership in global LNG. The project is designed to connect PETRONAS' upstream natural gas production with its midstream liquefaction, shipping and marketing functions, allowing it to deliver low-cost, high-margin natural gas resources from Canada to LNG Canada and the North American market. PETRONAS' total investment in its Canadian assets, primarily comprising PETRONAS' capital contributions in the North Montney Joint Venture, the PETRONAS Sasol Partnership and LNG Canada, amounted to RM2.8 billion (US\$0.7 billion), RM3.3 billion (US\$0.8 billion) and RM5.2 billion (US\$1.3 billion) in 2018, 2019 and 2020, respectively. Canada currently ranks second in terms of international capital investment within PETRONAS, thereby demonstrating PETRONAS' long-term commitment to the development of its Canadian assets.

- ***Committed to Net Zero Emissions, Safety and Social Responsibility***

As the world transitions to a lower carbon economy, PETRONAS is committed to managing the impact of climate change through advancing operational disciplines and capabilities, as well as harnessing technological developments to ensure sustainable and better energy for future generations. PETRONAS aims to minimize the impact of its carbon footprint and leverage its core advantages while developing and delivering climate-friendly strategies and solutions. PETRONAS has established its corporate sustainability framework, and continues to evolve this framework with the changing times.

PETRONAS is committed to lowering emissions and has announced its aspiration to achieve net zero carbon emissions by 2050. PETRONAS has been implementing greenhouse gas ("GHG") reduction initiatives since 2012. From 2013 through 2019, through its implementation of abatement projects, PETRONAS reduced its aggregate GHG emissions by 12.8 million tons of carbon dioxide equivalent ("tCO₂e") as compared to its operations without these abatements. PETRONAS has a medium-term goal of capping

GHG emissions from its Malaysian oil and gas operations at 49.5 million tCO_{2e} by 2024. It has also set the goal of eliminating continuous venting by 2024 and flaring by 2030. For details of PETRONAS' GHG emission reductions, see "*Business—Health, Safety, Security and Environmental Matters—Lens 2: Safeguarding the Environment—Low-carbon energy solutions.*"

PETRONAS is also active in R&D and formulating innovative solutions to reduce its medium- to long-term GHG emissions. To date, PETRONAS has deployed its own membrane CO₂-separating technologies in some of its operational assets. Full-scale carbon capture and sequestration in offshore Sarawak is being planned, with the potential to be in operation by 2025.

PETRONAS actively promotes natural gas and LNG as the cleaner energy solutions. PETRONAS believes that gas and LNG are the cleaner energy solutions that will continue to be an important part of the energy mix for decades to come. One of PETRONAS' core strengths originated in Malaysia's integrated value chain, including large-scale gas resources, and PETRONAS has become a global leader in LNG. PETRONAS will continue to leverage its core strengths in gas and LNG to build a sustainable future. As of January 1, 2021, 77.4% of PETRONAS' discovered reserves and resources were natural gas. Furthermore PETRONAS has started investing in hydrogen technology as part of its efforts in strengthening its presence in the hydrogen energy space. PETRONAS established a hydrogen unit to venture further into the hydrogen energy market. In February 2021, PETRONAS entered into a memorandum of understanding with JERA Co., Inc. to collaborate on a wide range of low-carbon energy initiatives, including hydrogen.

As part of the International Gas Union and the ASEAN Council on Petroleum, which was formed to promote the sustainable utilization of gas resources and infrastructure in ASEAN countries, PETRONAS is a leading advocate promoting the use of natural gas on the global stage, and it is playing an influential role in policy-making for cleaner energy.

PETRONAS strategically invests in renewable energy. As part of its three-pronged growth strategy, PETRONAS is seeking to future-proof its business through strategic investments in renewables. PETRONAS has committed 9% of its capital expenditure allocation to renewable energy for five years starting from 2021. PETRONAS also targets to have 3GW of renewable energy capacity by 2024, and PETRONAS currently has 663MW solar projects in operation with more than 400MW of projects under development. Specifically, PETRONAS has:

- established its gas and new energy segment to meet the demands for cleaner energy solutions;
- acquired international solar assets and generating capacities:
 - acquired Amplus in 2019, a company specializing in solutions for rooftop and ground-mounted solar power generation, as its first platform for solar power generation growth. Amplus serves more than 150 commercial and industrial customers in more than 200 locations across India, the Middle East and Southeast Asia and now has a cumulative capacity under operation of over 800MW, through both organic and inorganic growth; and

- acquired 100 MW of solar assets in Karnataka, India from Acme Energy in 2020 through Amplus;
- established a Malaysian solar platform:
 - launched M+ in Malaysia, offering a wide variety of solar energy solutions including on-site rooftop solar, off-site solar, battery storage, hybrid solutions and advanced analytics energy monitoring solutions;
 - secured its first commercial customer for rooftop solar in 2020, Tesco Stores (Malaysia) Sdn Bhd (Tesco), through NE Suria Satu Sdn. Bhd., a joint venture between PETRONAS and NEFIN Group; this 20-year power purchase agreement with Tesco is the largest commercial solar power purchase agreement of its kind in Malaysia, and the first phase of the project is expected to collectively generate 18 GWh of clean energy per year;
 - invested in SOLS Energy Sdn Bhd in 2020, a solar photovoltaic (PV) system start-up that provides sustainable energy for residential and small-to-medium enterprise (SME) sectors in Malaysia; and
 - initiated Project SINARAN, through which PETRONAS installs solar panels at its assets to complement its electricity usage, with 8.3 MW capacity installed as of December 31, 2020 and development plans to further increase capacity in the next few years.

In addition to its dedication to environmental sustainability, PETRONAS is also committed to protecting its employees through strong Health, Safety, Security and Environment (“HSSE”) measures and helping the communities around its operations.

PETRONAS adopts superior HSSE practices in accordance with all legal requirements and the industry’s best practices to safeguard the health, safety and well-being of its employees, contractors, communities and the environment. During the ongoing COVID-19 pandemic, PETRONAS has established stricter HSSE standards for its plant and on-site workforces. PETRONAS’ HSSE practices constitute the bedrock of the successful execution of its strategy. In 2020, PETRONAS’ total reportable case frequency decreased to 0.27 cases per one million man-hours from 0.35 in 2019, and lost time injury frequency fell to 0.09 cases per one million man-hours from 0.11 in 2019.

Focus on corporate social responsibility (“CSR”) to contribute to the well-being of society. Social responsibility and sustainability are at the core of everything PETRONAS does. PETRONAS believes in harnessing the good in energy to add quality to everyday life. It focuses on three key areas:

- *Education.* Since 1975, PETRONAS has sponsored over 37,000 students through the PETRONAS Education Sponsorship Program through the ups and downs of many economic cycles. PETRONAS is dedicated to investing in future talent, targeting to reach over 24,000 beneficiaries through education programs cumulatively between 2020 and 2024. Since 1977, PETRONAS has established four education institutions, including Universiti Teknologi PETRONAS (“UTP”), which in 2021 is ranked in Asia’s Top 100 Universities by the QS World University Rankings.

- *Community well-being and development.* PETRONAS invests to improve the quality of life and support economic progress wherever it operates. For example, PETRONAS has allocated up to RM100 million for a micro financing program for a period of five years to boost the livelihood and living standards of families in Malaysia under the poverty line. During the COVID-19 pandemic, PETRONAS has contributed RM40 million to help Malaysia fight COVID-19 and has delivered RM2.5 million worth of medical equipment and PPE to hospitals across Sabah.
- *Environment.* PETRONAS prioritizes the sustainable use of natural resources and the conservation of the environment. One of PETRONAS' environmental and sustainability initiatives is the continuous investment in the Imbak Canyon Studies Center for rainforest biodiversity research in Sabah, where PETRONAS is supporting pioneering research initiatives and conservation efforts. In the area of biodiversity, environment and conservation of marine life, PETRONAS launched Project BEACON, through which thousands of reef balls were embedded in the seabed for corals to amalgamate. In addition, PETRONAS Chemical Group Bhd., PETRONAS' chemical subsidiary, together with the Malaysian Nature Society, launched the ecoCare center in Kerteh as a long-term commitment to conservation, awareness-raising, restoration and education efforts along the Kerteh River in collaboration with local communities. The center features displays, exhibits and information related to the Kerteh River and biodiversity, and includes a resource center with facilities to promote the awareness and understanding of environmental conservation among children, teachers and the community.
- ***Maximizing Value through Innovation in Technology, Digital and Customer Centricity***

PETRONAS' focus on technology, digital and customer centricity allows it to perform and deliver value to its customers. There are four key areas in which this strategy manifests itself:

Technology in the Core

- PETRONAS is a pioneer in FLNG technology, with PFLNG Satu, the world's first floating LNG facility, and PFLNG Dua, which is PETRONAS' first deep water floating LNG facility; and
- In 2019, PETRONAS developed over 600 proprietary technologies through its in-house research team.

Step-Changes in Efficiencies

- Through digitalization PETRONAS has achieved cost optimization across its different business segments. For example, in the third quarter of 2020, PETRONAS' upstream sector has reduced operating expenditures on certain projects by 30% through the deployment of the first remote operations platform in Malaysia and has reduced certain capital expenditures in another area by 50% through its deployment of new technology for well extension packing, reducing rig time by half;

- Data analytics allows PETRONAS to monitor and optimize value chain and HSSE:
 - PETRONAS launched “Alpha LNG” in 2018 to reduce supply and offtake mismatches along the LNG value chain. This is done by leveraging real-time data with predictive insights on gas field production rates, LNG plant operating rates, and cargo offtake rates. Alpha LNG’s end-to-end centralized system allows PETRONAS to make responsive and informed decisions by gaining a full understanding of its position at the supply, storage, and marketing levels. These insights also help strengthen PETRONAS’ market competitiveness by minimizing market and production risks in long-term supply arrangements, while improving cash flow and forming new supply partnerships;
 - In 2020, PETRONAS announced its collaboration with Tata Consultancy Services on Drive Optimization Value for Enterprise (“DOVE”). The DOVE platform endeavors to elevate data transparency, increase personal accountability and promote enterprise collaboration through advancing digital competencies and tools within PETRONAS by tapping into information from its downstream operating companies as well as updated competitor and market information, creating a data pool for real-time intelligence. The resulting digitally empowered workforce and end-to-end visibility of the entire value chain has enhanced PETRONAS’ ability to respond swiftly and more effectively to meet customer demands and expectations; and
 - Various integrated and centralized digital systems allow PETRONAS to record, report and track group-wide incidents related to HSSE;
- PETRONAS uses digital tools for predictive maintenance of its downstream operations:
 - PETRONAS Integrated Vision for Operation Excellence Technology, or PIVOT, is a digital tool that enhances big data utilization through analytics. Using agile methodology, PIVOT provides data visibility and optimization of plant performance.

Pushing Boundaries in Product Performance

- PETRONAS is the technical partner and total fluid solutions provider to the Mercedes-AMG PETRONAS Formula One Team, and PETRONAS’ lubricant and fluid solutions technology has powered Mercedes-AMG PETRONAS to success—winning seven consecutive Constructors and Drivers World Championships from 2014 to 2020. But more importantly, this technology has been delivered to consumers of PETRONAS’ fuel and lubricant products, such as PRIMAX, SYNTIUM, Sprinta and PETRONAS Dynamic Diesel Euro 5.
- PETRONAS aims to drive a greener future through innovative product solutions:
 - PETRONAS pushed the boundaries of innovation to develop PETRONAS AireBlue, an internationally certified product that offers product solutions with superior quality compared to similar solutions in the market. Designed primarily for Euro V and VI diesel engines, PETRONAS AireBlue aims for

more environmentally-friendly vehicular emissions by converting harmful nitrogen oxides into harmless nitrogen and water; and

- In 2019, PETRONAS Lubricants International launched PETRONAS electric vehicle fluids, the “Iona” series of products, as part of its pledge to address the climate challenge and lower CO₂ emissions through fluid technology. These products offerings include PETRONAS Iona Thermal, a battery thermal management fluid, PETRONAS Iona, a range of Integra e-transmission fluids, and PETRONAS Iona Gilder, bearing greases.

Seamless Customer Experience

- In 2018, PETRONAS, through its subsidiary PETRONAS Dagangan Berhad (“PDB”), launched Setel Mobile, Malaysia’s first e-payment solution for fuel purchases, which creates a seamless on-the-go refueling and retail experience for PETRONAS customers. There were over 1.3 million Setel mobile app users in Malaysia as of the end of 2020.
 - In 2018, PDB launched “ROVR,” an innovative on-demand mobile fuel delivery service for commercial B2B customers, which extends service coverage beyond the network of PETRONAS stations nationwide. This is the first mobile fuel delivery service in Malaysia, providing customers with a convenient, seamless and safe refueling experience. Since its launch in October 2018, ROVR has delivered over 1 million liters of fuel.
 - In September 2020, PETRONAS launched its virtual pipeline system (“VPS”), one of the company’s latest customer-centric solutions, which aims to facilitate the growth of cleaner energy use across Peninsular Malaysia. The VPS solution delivers LNG using trucks equipped with cryogenic tanks to off-grid customers, expanding PETRONAS’ supply channels to build a stronger clean energy sector across industries.
 - PETRONAS pioneered a domestic alliance of LNG bunkering service providers through its collaboration with Avenir LNG Ltd. This initiative promotes LNG as a marine fuel of choice and provides ship-to-ship LNG break-bulking services for customers with smaller energy needs.
- ***High Standards of Corporate Governance and Best-in-Class Management***

PETRONAS operates as an independent commercial entity and upholds its integrity and trustworthiness in delivering value through good governance with the highest level of integrity—consistent with the best practices of other multinational energy and listed companies.

Corporate governance. PETRONAS’ high standards of corporate governance focus primarily on maintaining an enhanced board structure and governance with a separation of the Chief Executive Officer and Chairman positions, an Executive Leadership Team, a Chief Integrity Officer, and three independently led Board Committees—an Audit Committee, a Risk Committee, and a Nomination and Remuneration Committee.

PETRONAS also globally applies a comprehensive employee code of conduct and business ethics. It has restructured the reporting lines of several businesses and improved transparency using anti-bribery and whistle-blowing policies, and it voluntarily publishes regular financial reports and operational updates in line with listed companies' standards. PETRONAS' achievements have been independently recognized through awards such as the Excellence in Corporate Governance among South Asia Energy companies in 2020 from Global Business Outlook. Furthermore, PETRONAS' strong leadership team has been recognized, including President and Group CEO Tengku Muhammad Taufik's 3rd position ranking among global O&G CEOs in the Brand Guardianship Index in 2020. PETRONAS was also recently recognized as the Malaysian organization best managing the 2020 crisis situation in a poll conducted of 4,000 Malaysians between June and November 2020.

- ***Track Record of Strong Financial Metrics and Prudent Financial Management***

PETRONAS has the highest corporate credit rating in Malaysia—rated A2 by Moody's, A- by S&P and BBB+ by Fitch.

PETRONAS has maintained a track record of strong, consistent financial performance in the past three years. PETRONAS also generates substantial cash flow from its operations—RM86,320 million, RM90,771 million and RM40,745 million in 2018, 2019 and 2020, respectively.

In terms of its financial management practices, PETRONAS observes prudent financial management and maintains significant cash balances that allow it to timely implement projects, quickly take advantage of business opportunities, facilitate partnerships with multinational partners and sustain disciplined capital investment through industry price cycles. PETRONAS has a strong balance sheet, and as at December 31, 2020, it had cash and cash equivalents and fund investments of RM141,311 million, compared to total borrowings (excluding derivative assets) of RM88,229 million. This has consistently put PETRONAS in a net cash position, differentiating it as a company with comparably low leverage and gearing ratios within the global energy sector.

PETRONAS' robust financial position and solid capital management enables it to better ride business cycles while continuing to invest in its future growth plans. PETRONAS has taken active steps to preserve liquidity and uphold disciplined capital allocation amidst the low oil price environment and disruptions caused by COVID-19 in 2020:

- *Preserving Liquidity:* Despite challenging market conditions, PETRONAS preserves strong liquidity, with a net cash position of US\$13.0 billion as at December 31, 2020 and a low leverage level, both of which compare well against international peers and place it in an advantageous position during this challenging time.
- *Uphold Disciplined Capital Allocation:* PETRONAS has undertaken purposeful measures to strengthen its resilience and steer the organization towards a path to recovery from the current challenging market. It reduced its capital expenditure by 31.3% to US\$8.3 billion in 2020 on year-over-year basis. In terms of operating expenditures, it also made aggressive reductions, decreasing from US\$49.2 billion in 2019 to US\$43.0 billion in 2020, a 12.5% reduction on year-over-year basis.

PETRONAS Capital Limited

PETRONAS Capital Limited is a wholly-owned subsidiary of PETRONAS and was incorporated under the laws of Labuan, Malaysia under the Labuan Companies Act 1990 on April 17, 2002. PETRONAS Capital Limited is a financing vehicle for PETRONAS. It has no other operations. PETRONAS Capital Limited intends to provide substantially all proceeds of its borrowings to PETRONAS and/or its subsidiaries and associated companies.

PETRONAS Energy Canada Ltd.

PETRONAS Energy Canada Ltd. is a wholly-owned subsidiary of PETRONAS and is incorporated under the laws of Alberta, Canada. PETRONAS entered Canada in 2010 as part of a joint venture with Progress Energy Canada Ltd. (“Progress Energy”), and Progress Energy became a subsidiary of PETRONAS in 2012. In November 2018, Progress Energy changed its name to PETRONAS Energy Canada Ltd. With approximately 430 employees as at December 31, 2020, PETRONAS Energy Canada Ltd. focuses on the development and production of oil and natural gas in Canada.

Summary Consolidated Financial Information

The summary consolidated financial information as at December 31, 2019 and 2020, and for each of the years ended December 31, 2018, 2019 and 2020 set forth below have been derived from PETRONAS' audited consolidated financial statements included elsewhere in this Offering Circular. The summary consolidated statement of financial position information as at December 31, 2018 set forth below has been derived from PETRONAS' audited consolidated financial statements not included in this Offering Circular. The summary consolidated financial information should be read in conjunction with PETRONAS' audited financial statements and notes thereto as well as the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" included elsewhere in this Offering Circular.

	Year Ended December 31,			
	2018	2019	2020	2020 ⁽¹⁾
	(in millions)			
Summary Consolidated Statements of				
Profit or Loss and Other Comprehensive				
Income Information:				
Revenue ⁽²⁾	RM250,976	RM240,263	RM178,741	U.S.\$44,540
Operating profit/(loss)	80,753	59,685	(8,516)	(2,122)
Financing costs	(4,707)	(3,734)	(4,133)	(1,030)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	684	1,019	328	82
Profit/(Loss) before taxation	76,730	56,970	(12,321)	(3,070)
Tax expense	(21,420)	(16,498)	(8,708)	(2,170)
Profit/(Loss) for the year	55,310	40,472	(21,029)	(5,240)
Profit for the year attributable to non-controlling interests	(7,445)	(7,451)	(2,822)	(703)
Profit/(Loss) for the year attributable to shareholders of PETRONAS	<u>RM47,865</u>	<u>RM33,021</u>	<u>RM(23,851)</u>	<u>U.S.\$ (5,943)</u>
Included in operating profit above:				
Depreciation and amortization ⁽³⁾	34,327	38,678	36,026	8,977
Net impairment (write-back)/losses on property, plant and equipment	(3,331)	6,539	25,702	6,405

	As at December 31,			
	2018	2019	2020	2020 ⁽¹⁾
	(in millions)			
Summary Consolidated Statements of				
Financial Position Information:				
Total current assets	RM241,434	RM206,462	RM193,394	U.S.\$ 48,192
Property, plant and equipment	310,385	319,204	291,717	72,693
Other assets ⁽⁴⁾	84,495	96,755	88,960	22,168
Total assets	<u>RM636,314</u>	<u>RM622,421</u>	<u>RM574,071</u>	<u>U.S.\$143,053</u>
Total current liabilities	RM111,930	RM73,000	RM56,718	U.S.\$ 14,134
Non-current borrowings ⁽⁵⁾	45,011	53,422	76,808	19,140
Deferred tax liabilities	9,986	12,598	8,455	2,107
Other long-term liabilities and provisions	44,135	44,486	51,056	12,723
Shareholders' equity:				
Share capital	100	100	100	25
Reserves	<u>380,371</u>	<u>388,996</u>	<u>330,521</u>	<u>82,362</u>
Total equity attributable to shareholders of PETRONAS	380,471	389,096	330,621	82,387
Non-controlling interests	<u>44,781</u>	<u>49,819</u>	<u>50,413</u>	<u>12,562</u>
Total equity and liabilities	<u>RM636,314</u>	<u>RM622,421</u>	<u>RM574,071</u>	<u>U.S.\$143,053</u>

	Year Ended December 31,			
	2018	2019	2020	2020 ⁽¹⁾
	(in millions)			
Other Financial Information:				
Capital Expenditures and Other				
Investments ⁽⁶⁾	RM46,923	RM47,813	RM33,357	U.S.\$ 8,312
Adjusted EBITDA ⁽⁷⁾	RM116,474	RM96,273	RM55,320	U.S.\$13,785
Ratio of Adjusted EBITDA to Fixed				
Charges ⁽⁸⁾	39.51:1	27.62:1	13.67:1	—
Ratio of Non-current Borrowings to				
Adjusted EBITDA	0.39:1	0.55:1	1.39:1	—
Ratio of non-current borrowings to				
non-current borrowings plus				
shareholders' equity	0.11:1	0.12:1	0.19:1	—
Return on Average Capital Employed				
(“ROACE”) ⁽⁹⁾	12.0%	8.7%	(4.1%)	—

(1) U.S. dollar translations are calculated using an exchange rate of RM4.0130 to U.S.\$1.00.

(2) See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a breakdown of the major sources of PETRONAS' revenue.

(3) Includes depreciation of property, plant and equipment, properties and investment properties as well as amortization of intangible assets, contract costs and prepaid lease payments.

(4) Consists of investment properties, land held for development, prepaid lease payments, investments in associates, investments in joint ventures, intangible assets, long term receivables, non-current fund and other investments and deferred tax assets.

- (5) Consists of notes and bonds, term loans, lease liabilities and Islamic financing facilities. See notes 21 and 22 to the financial statements included elsewhere in this Offering Circular.
- (6) Consists of expenditure on property, plant and equipment, investment properties, intangible assets, land held for development and investments.
- (7) Adjusted EBITDA consists of profit/(loss) for the year before tax expenses, with the addition of amounts previously deducted for depreciation and amortization^(b), financing costs, net impairment (write-back)/losses and provisions, net changes in provision for decommissioning, dismantling, removal or restoration of property, plant and equipment and the exclusion of interest income. A reconciliation of profit/(loss) for the year to Adjusted EBITDA, which is the most directly comparable financial measure calculated and presented in accordance with MFRS, is provided below:

	Year Ended December 31,			
	2018	2019	2020	2020 ^(a)
	(in millions)			
Profit/(Loss) for the year	RM55,310	RM40,472	RM(21,029)	U.S.\$ (5,240)
Add:				
Tax expense	RM21,420	RM16,498	RM8,708	U.S.\$ 2,170
Profit/(Loss) before taxation	RM76,730	RM56,970	RM(12,321)	U.S.\$ (3,070)
Add:				
Depreciation and amortization ^(b)	RM34,327	RM38,678	RM36,002	U.S.\$ 8,971
Financing costs	RM4,707	RM3,734	RM4,133	U.S.\$ 1,030
Net impairment (write-backs)/losses and provisions ^(c)	RM(3,724)	RM5,541	RM32,707	U.S.\$ 8,150
Net changes in provision for decommissioning, dismantling, removal or restoration of property, plant and equipment	RM10,943	RM(1,761)	RM(363)	U.S.\$ (90)
Less:				
Interest income	RM(6,509)	RM(6,889)	RM(4,838)	U.S.\$ (1,206)
Adjusted EBITDA	<u>RM116,474</u>	<u>RM96,273</u>	<u>RM55,320</u>	<u>U.S.\$13,785</u>

(a) U.S. dollar translations are calculated using an exchange rate of RM4.0130 to U.S.\$1.00.

(b) Includes depreciation of property, plant and equipment and investment properties as well as amortization of intangible assets and prepaid lease payments.

(c) Includes net impairment (write-backs)/losses on property, plant and equipment and intangible assets and provision for contract exposures.

Adjusted EBITDA should not be viewed as an alternative measure of operating results or cash flows from operating activities as determined in accordance with MFRS or U.S. GAAP. Adjusted EBITDA has been included because it is widely used as a financial measure of the potential capacity of a company to incur and service debt. Adjusted EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare PETRONAS' Adjusted EBITDA to adjusted EBITDA presented by other companies because not all companies use the same definition.

- (8) Fixed Charges consist of interest expense and interest capitalized during construction for the applicable period less unwinding of discount of provision for decommissioning, dismantling, removal or restoration of property, plant and equipment.

- (9) ROACE is calculated as Adjusted Profit/(Loss) divided by average of opening and closing balance of total equity and long term debt during the year. Adjusted Profit/(Loss) consists of profit/(loss) for the year, with the addition of financing costs and the exclusion of tax expense on financing costs. A reconciliation of profit/(loss) for the year to Adjusted Profit/(Loss), which is the most directly comparable financial measure calculated and presented in accordance with MFRS, is provided below:

	Year Ended December 31,			
	2018	2019	2020	2020 ^(a)
	(in millions)			
Profit/(Loss) for the year	RM55,310	RM40,472	RM(21,029)	U.S.\$(5,240)
Add:				
Financing costs ^(b)	RM2,855	RM1,972	RM2,342	U.S.\$ 584
Less: Tax expense on financing costs	<u>RM(686)</u>	<u>RM(473)</u>	<u>RM(562)</u>	<u>U.S.\$ (140)</u>
Adjusted Profit/(Loss)	<u>RM57,479</u>	<u>RM41,970</u>	<u>RM(19,249)</u>	<u>U.S.\$(4,796)</u>

(a) U.S. dollar translations are calculated using an exchange rate of RM4.0130 to U.S.\$1.00.

(b) Excludes unwinding of discount for the provision for decommissioning, dismantling, removal or restoration of property, plant and equipment.

Summary Reserves and Entitlement Data

The following tables set forth PETRONAS' discovered reserves and resources by region and by hydrocarbon type as at January 1 in the years indicated, and PETRONAS' liquids and natural gas entitlements for the fiscal years ended December 31 in the years indicated.

PETRONAS' Discovered Reserves and Resources (bboe)	As at January 1,											
	2018			2019			2020			2021		
	1P	2P	3P	1P	2P	3P	1P	2P	3P	1P	2P	3P
Reserves⁽¹⁾												
Malaysia	3.16	4.88	6.80	3.29	4.95	6.61	3.75	5.77	7.81	3.28	5.25	7.50
International	1.18	2.11	2.47	1.67	3.39	3.99	2.10	3.47	4.20	2.27	3.30	4.15
Total	4.34	6.99	9.27	4.97	8.34	10.60	5.85	9.24	12.01	5.55	8.55	11.65
Contingent Resources⁽¹⁾	1C	2C	3C	1C	2C	3C	1C	2C	3C	1C	2C	3C
Malaysia	7.02	10.43	14.27	6.15	9.21	12.37	6.09	9.14	13.01	6.03	9.01	12.96
International	5.05	7.24	9.31	4.00	5.88	7.90	4.40	5.94	7.84	4.50	6.26	8.29
Total	12.08	17.67	23.59	10.14	15.09	20.27	10.49	15.08	20.85	10.53	15.27	21.25

PETRONAS' Discovered Reserves and Resources (bboe)	As at January 1,											
	2018			2019			2020			2021		
	1P	2P	3P	1P	2P	3P	1P	2P	3P	1P	2P	3P
Reserves⁽¹⁾												
Natural Gas	3.19	5.17	6.77	3.43	5.97	7.55	4.12	6.63	8.57	3.98	6.21	8.41
Liquids	1.15	1.82	2.50	1.55	2.37	3.05	1.73	2.61	3.44	1.57	2.34	3.24
Total	4.34	6.99	9.27	4.97	8.34	10.60	5.85	9.24	12.01	5.55	8.55	11.65
Contingent Resources⁽¹⁾	1C	2C	3C	1C	2C	3C	1C	2C	3C	1C	2C	3C
Natural Gas	10.02	14.56	19.41	8.47	12.63	16.90	8.59	12.35	17.09	8.47	12.23	17.01
Liquids	2.06	3.11	4.18	1.67	2.46	3.38	1.90	2.73	3.76	2.06	3.04	4.24
Total	12.08	17.67	23.59	10.14	15.09	20.27	10.49	15.08	20.85	10.53	15.27	21.25

- (1) In each table in this section that sets forth discovered reserves and resources, "1P" refers to "proved reserves," "2P" refers to "proved plus probable reserves," and "3P" refers to "proved plus probable plus possible reserves." "1C" refers to "low estimate of contingent resources," "2C" refers to "best estimate of contingent resources," and "3C" refers to "high estimate of contingent resources."

	Year Ended December 31,		
	2018	2019	2020
Liquids Data			
Production volumes:			
PETRONAS' entitlement to Malaysia's liquids production (mmbbl)	159	151	143
PETRONAS' equity interest in international liquids production (mmbbl) ⁽¹⁾ . . .	109	128	106
Total of PETRONAS' entitlement to Malaysia's liquids production and PETRONAS' equity interest in international liquids production (mmbbl) . . .	<u>268</u>	<u>279</u>	<u>249</u>
Entitlement volumes:			
PETRONAS' entitlement to Malaysia's liquids production (mmbbl)	159	151	143
PETRONAS' entitlement to international liquids production (mmbbl)	57	73	72
Total of PETRONAS' entitlement to Malaysia and international liquids production (mmbbl)	<u>216</u>	<u>224</u>	<u>215</u>
Natural Gas Data⁽²⁾			
Production volumes:			
PETRONAS' entitlement to Malaysia's natural gas production (bscf)	1,824	1,902	1,677
PETRONAS' equity interest in international natural gas production (bscf) ⁽²⁾	752	738	744
Total of PETRONAS' entitlement to Malaysia's natural gas production and PETRONAS' equity interest in international natural gas production (bscf)	<u>2,576</u>	<u>2,640</u>	<u>2,421</u>
Entitlement volumes:			
PETRONAS' entitlement to Malaysia's natural gas production (bscf)	1,824	1,902	1,677
PETRONAS' entitlement to international natural gas production (bscf)	568	585	602
Total of PETRONAS' entitlement to Malaysia and international natural gas production (bscf)	<u>2,392</u>	<u>2,487</u>	<u>2,279</u>
Liquids and Natural Gas Data			
Total of PETRONAS' entitlements to liquids and natural gas production (mmboe)	615	639	595

(1) The difference between PETRONAS' equity interest in international liquids or natural gas production and its entitlement to international liquids or natural gas production is due to the timing difference of liquids lifting, and is net of free liquids or natural gas provided to host government as defined in the relevant PSCs or other contracts.

(2) Natural gas production available for sale.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act and Registered Notes may be issued both outside the United States in reliance on the exemption from registration provided by Regulation S or within the United States in reliance on Rule 144A or Section 4(a)(2) of the Securities Act.

Bearer Notes

Each Tranche of Bearer Notes will be initially issued in the form of either a temporary global note (a “**Temporary Bearer Global Note**”) or a permanent global note (a “**Permanent Bearer Global Note**”) as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the “**Common Depositary**”) for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”).

Bearer Notes will only be delivered outside the United States and its possessions.

While any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will only be made (against presentation of the Temporary Bearer Global Note) outside the United States and its possessions and only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury Regulations, has been received by Euroclear and/or Clearstream and Euroclear and/or Clearstream, as applicable, has given a similar certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the “**Exchange Date**”) which is forty days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for: (i) interests in a Permanent Bearer Global Note of the same Series; or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement and provided that no definitive Bearer Note will be delivered to an address in the U.S. or its possessions), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification as to non-U.S. beneficial ownership, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made only outside the United States and its possessions through Euroclear and/or Clearstream (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note) without any requirement for certification if such Note is being issued in accordance with TEFRA C or if certification has already been given (as described in the preceding paragraph).

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where

applicable, receipts, interest coupons and talons attached upon either: (a) not less than sixty days' written notice from Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein; or (b) only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that: (i) an Event of Default (as defined in Condition 11 (*Events of Default*) of the Terms and Conditions of the Notes) has occurred and is continuing; (ii) the Issuer has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of fourteen days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or (iii) the Issuer or the Guarantor has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 (*Notices*) of the Terms and Conditions of the Notes if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than forty-five days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on the face of all Bearer Notes which have an original maturity of more than 365 days (including unilateral roll overs and extensions) and on all receipts, interest coupons or talons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to in the legend above provide that United States holders (as defined in "*Taxation—Certain U.S. Federal Income Tax Considerations*"), with certain limited exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a global note in registered form (a "**Regulation S Global Note**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 (*Transfers of Registered Notes*) of the Terms and Conditions of the Notes contained herein and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche may only be offered and sold in the United States or to U.S. persons in private transactions: (i) to QIBs; or (ii) to Institutional Accredited Investors who

agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a “**Rule 144A Global Note**” and, together with a Regulation S Global Note, the “**Registered Global Notes**”).

Registered Global Notes will either: (i) be deposited with a custodian for, and registered in the name of a nominee of, the Depository Trust Company (“**DTC**”) for the accounts of its participants, including Euroclear and Clearstream, or (ii) be deposited with a common depository for, and registered in the name of a common nominee of, Euroclear and Clearstream, or (iii) be deposited with a nominee of CDS Clearing and Depository Services Inc. (“**CDS**”), each as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof (“**Definitive IAI Registered Notes**”). Unless otherwise set forth in the applicable Pricing Supplement, Definitive IAI Registered Notes will be issued only in minimum denominations of U.S.\$500,000 and integral multiples of U.S.\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under “*Subscription and Sale and Transfer and Selling Restrictions—Transfer Restrictions.*” The Rule 144A Global Notes and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 7.4 (*Payments—Payments in respect of Registered Notes*) of the Terms and Conditions of the Notes) as the registered holder of the Registered Global Notes. None of the Issuer, the Guarantor, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7.4 (*Payments—Payments in respect of Registered Notes*) of the Terms and Conditions of the Notes) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, “**Exchange Event**” means that: (i) an Event of Default has occurred and is continuing; (ii) (a) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer and the Guarantor that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available, or DTC has ceased to constitute a clearing agency registered under the United States Securities Exchange Act of 1934 (as amended) (“**Exchange Act**”) and no alternative clearing system is available; (b) in the case of Notes registered in the name of a nominee for a common depository for Euroclear and Clearstream, the Issuer and the Guarantor has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of fourteen days (other than by

reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available; or (c) in the case of Notes registered in the name of a nominee for CDS, CDS' book-entry only system ceases to exist; the Issuer determines that CDS is no longer willing or able to discharge properly its responsibilities as depository with respect to the Notes and the Issuer is unable to locate a qualified successor; the Issuer, at its option, elects to issue definitive Notes in lieu of the book-entry system through CDS with respect to all or a portion of the Notes; or (d) CDS has ceased to constitute as a clearing agency registered under the Securities Act (Ontario) or a self-regulatory organization under the Securities Act (Québec) or other applicable Canadian securities legislation and no alternative clearing system is available; (iii) definitive Notes are required by law to be issued in exchange for beneficial interests in global Notes; or (iv) the Issuer or the Guarantor has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by this Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 (*Notices*) of the Terms and Conditions of the Notes if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream or CDS (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iv) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note or in the form of a Definitive IAI Registered Note. Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, and CDS in each case to the extent applicable.

Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions. See "Subscription and Sale and Transfer and Selling Restrictions."

General

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned security number(s) (including, but not limited to, CUSIP number, CINS number, common code and ISIN) which are different from the security number(s) assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S) applicable to the Notes of such Tranche; provided further that a further Tranche of Notes that is intended to form a single Series with an existing Tranche of Notes (i) must, if the existing Tranche of Notes was (or the further Tranche of Notes will be) issued in reliance on Rule 144A, be assigned security number(s) that are different from the security number(s) assigned to the existing Tranche of Notes unless the further Tranche of Notes is issued pursuant to a "qualified reopening" of the original Tranche of Notes, is otherwise treated as part of the same "issue" of debt instruments as the existing Tranche of Notes or is issued with no more than a *de minimis* amount of original issue discount, in each case for U.S

federal income tax purposes, and (ii) with respect to Notes issued by the Canadian Issuer, must be fungible with the existing Tranche of Notes for Canadian federal income tax purposes.

Any reference herein to Euroclear and/or Clearstream and/or DTC and/or CDS shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, PETRONAS and the Principal Paying Agent or as applicable, the Registrar.

Form of Applicable Pricing Supplement

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Program.

[The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or any U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”))] [except to qualified institutional buyers (as defined in Rule 144A under the Securities Act (“**Rule 144A**”)) in reliance on Rule 144A. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the Notes may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A.]

[Notice to Canadian Investors: The Notes will be sold in Canada on a private placement basis to purchasers that are “accredited investors” and in certain circumstances are also “permitted clients”, each as defined under applicable Canadian provincial securities laws, and on a private placement basis subject to applicable law. See “*Subscription and Sale and Transfer and Selling Restrictions—Representations of Canadian Investors*” in the Offering Circular (as defined below).]

This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (“**Professional Investors**”) only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be so listed on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Program and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Program and the Notes or the Issuer and the Guarantor or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Guarantor. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

[MIFID II product governance / Professional investors and ECPs only target market—Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “**MiFID II**”)] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending

the Notes (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS—The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS—The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of United Kingdom domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of United Kingdom domestic law by virtue of the EUWA (as amended, the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.]

SFA Notification—[the following legend to be included if Notes are Excluded Investment Products, otherwise appropriate legend to be included;]

Section 309B(1)(c) Notification—[The Notes shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).] [Note: Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the Securities and Futures Act.]

[Date]

[Name of Issuer]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

guaranteed by Petroliam Nasional Berhad (PETRONAS)

under its U.S.\$15,000,000,000

Multi-currency Global Medium Term Note Program

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “**Conditions**”) set forth in the Offering Circular dated February [26], 2021 (the “**Offering Circular**”). This Pricing Supplement contains the final terms of the Notes and is supplemental to, and must be read in conjunction with, such Offering Circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “**Conditions**”) set forth in the Offering Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and is supplemental to, and must be read in conjunction with, the Offering Circular dated [current date] (the “**Offering Circular**”), except in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination [must/may need to] be £100,000 or its equivalent in any other currency.]

1. (i) Issuer: [PETRONAS Capital Limited (with the legal entity identifier of 549300G7YFX3540OYR85)], [PETRONAS Energy Canada Ltd. (with the legal entity identifier of 5493001PEB90YGTDC638)] or [any New Issuer(s) that accedes to the Program in accordance with the terms of the Program Agreement and the Agency Agreement.] *[To specify the appropriate Issuer]*
- (ii) Guarantor: Petroliam Nasional Berhad (PETRONAS)
2. (a) Series Number: [●]
- (b) Tranche Number: [●] *[If fungible with an existing Series, details of such Series, including the date on which the Notes become fungible]*
- (c) Re-opening: [Yes/No] *[Specify terms of initial or eventual fungibility]*
3. Specified Currency or Currencies: [●]

4. Aggregate Nominal Amount:

(a) Series: [●]

(b) Tranche: [●] *(If fungible with an existing Series, details of such Series, including the date on which the Notes become fungible)*

5. (a) Issue Price of Tranche: [●]% of the Aggregate Principal Amount [plus accrued interest from [Issue Date][insert other date] *(in the case of fungible issues only, if applicable)*]

(b) Net Proceeds: [●]

(required only for listed issues)

(c) Use of Proceeds: [●] *(as described in the Offering Circular/describe)*

6. (a) Specified Denominations: [●]

(N.B. In the case of Registered Notes, this means the minimum integral amount in which transfers can be made. For Registered Global Notes, consider including language substantially to the following effect (however, appropriate amendments should be made for different currencies) “€100,000 and integral multiples of €1,000 in excess thereof”)

(N.B. For Bearer Notes with a Specified Denomination and higher integral multiples above the minimum denomination, consider including language substantially to the following effect. However, appropriate amendments should be made for different currencies.)

(“[U.S.\$200,000] and integral multiples of [U.S.\$1,000] in excess thereof, up to and including [U.S.\$399,000] and, for so long as the Notes are represented by a Global Note (as defined below) and Euroclear and Clearstream so permit, the Notes shall be tradable only in the minimum authorized denomination of [U.S.\$200,000] and higher integral multiples of [U.S.\$1,000], notwithstanding that no definitive notes will be issued with a denomination above [U.S.\$399,000].”)

(N.B. It should be noted that such Specified Denomination will not be permitted in relation to any issue of Notes which are to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)

- (b) Calculation Amount: *[●] (If only one Specified Denomination, insert the Specified Denomination. If there is more than one Specified Denomination, insert the highest common factor. N.B. There must be a common factor in the case of two or more Specified Denominations.)*
- (applicable to Notes in definitive form)
7. (a) Issue Date: *[●]*
- (b) Trade Date *[●]*
- (c) Interest Commencement Date: *[specify/Issue Date/Not Applicable] (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: *[Fixed rate—specify date/Floating rate—Interest Payment Date falling in or nearest to [specify month and year]]*
9. Interest Basis: *[[●]% Fixed Rate] [[LIBOR/EURIBOR/HIBOR/CNH HIBOR/CDOR/Other reference rate] +/- [●]% Floating Rate] [Zero Coupon] [Dual Currency Interest] [specify other] (further particulars specified below)*
10. Redemption/Payment Basis: *[Redemption at par] [Dual Currency Redemption] [Partly Paid] [Installment] [specify other]*
11. Change of Interest Basis or Redemption/Payment Basis: *[Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]*
12. Change of Interest Basis or Redemption/Payment Basis: *[Investor Put] [Issuer Call] [(further particulars specified below)]*
13. Listing: *[[name of Stock Exchange]/None]*
14. (a) Status of the Notes: Senior Guaranteed Notes
- (b) Status of the Guarantee: Senior
- (c) Date of the Issuer's Board approval for the issuance of Notes obtained: *[[●]/None required]*
- (d) Date of the Guarantor's Board approval for the making of the Guarantee obtained: *[[●]/None required] (N.B. Only relevant where Board (or similar) authorization is required for the particular Tranche of Notes or related Guarantee)*
15. Method of distribution: *[Syndicated/Non-syndicated]*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. Fixed Rate Note Provisions: [Applicable]/[Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate(s) of Interest: [●]% per annum [payable [annually/semi-annually/quarterly/other (*specify*)] in arrear] *(If not “per annum”, consider amending Condition 5 (Interest))*
- (b) Interest Payment Date(s): Interest Payment Date(s): [●] in each year up to and including the Maturity Date] [adjusted in accordance with [*specify Business Day Convention and any applicable Additional Business Center(s) for the definition of “Business Day”*] /not adjusted]/[*specify other*] *(N.B. This will need to be amended in the case of long or short coupons)*
- (c) Fixed Coupon Amount(s): [●] per Calculation Amount
(applicable to Notes in definitive form)
- (d) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount*]
- (e) Fixed Rate Note Provisions: [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount*]
- (f) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or [*specify other*]]
- (g) Screen Rate Determination: [●] in each year [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration. N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))*]
- (h) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/*Give details*]
17. Floating Rate Note Provisions: [Applicable]/[Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [●]

- (b) Business Day Convention: Business Day Convention: [Floating Rate Convention/
Following Business Day Convention/Modified
Following Business Day Convention/Preceding
Business Day Convention/[*specify other*]]
- (c) Additional Business Center(s): [●] (*Insert New York City for U.S. dollar denominated Notes to be held through DTC and for non-U.S. dollar denominated Notes where exchange into U.S. dollars is contemplated for DTC participants holding through Euroclear and Clearstream*)
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination]/[ISDA Determination]/
[*specify other*]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [●]
- (f) Screen Rate Determination:
- Reference Rate: [[●] (*Either LIBOR, EURIBOR, HIBOR, CNH HIBOR, CDOR or other, although additional information is required if other—including fallback provisions in the Agency Agreement*)]
- Interest Determination Date(s): [[●] (*Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling, Hong Kong dollar, Renminbi or Euro LIBOR), first day of each Interest Period if Sterling, Hong Kong dollar or Renminbi LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or Euro LIBOR*)] [Other]
- Relevant Screen Page: [●] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
- (g) ISDA Determination:
- Floating Rate Option: [●] (*If not on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, the Issuer shall describe the basis here*)
- Designated Maturity: [●]
- Reset Date: [●]

- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *[Need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (d) Person at whose option Specified Currency(ies) is/are payable: ☐
- (e) Day Count Fraction: *[Actual/Actual (ISDA) or Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360, 360/360 or Bond Basis] [30E/360 or Eurobond Basis] [30E/360 (ISDA)] [Other] (See Condition 5 (Interest) for alternatives)*

PROVISIONS RELATING TO REDEMPTION

21. Issuer Call: *[Applicable]/[Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): ☐
- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): *[[☐] per Calculation Amount/specify other]*
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: ☐ per Calculation Amount
- (ii) Maximum Redemption Amount: ☐ per Calculation Amount
- (d) Notice period (if other than as set out in the Conditions): *[☐] (N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer and the Guarantor are advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer, the Guarantor and the Principal Paying Agent)*
22. Investor Put: *[Applicable]/[Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): ☐

- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [[●] per Calculation Amount/specify other]
- (c) Notice period (if other than as set out in the Conditions): [●] (*N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer and the Guarantor are advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer, the Guarantor and the Principal Paying Agent*)
23. Final Redemption Amount: [[●] per Calculation Amount/specify other/see Appendix]
24. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 8.6 (*Redemption and Purchase—Early Redemption Amounts*)): [[●] per Calculation Amount/specify other/see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes: [Bearer Notes: Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- [Bearer Notes: Temporary Bearer Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Bearer Notes: Permanent Bearer Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]
- [Registered Notes: Regulation S Global Note(U.S.\$[●] nominal amount) registered in the name of a nominee for [DTC/CDS/a common depositary for Euroclear and Clearstream]/Rule 144A Global Note (U.S.\$[●] principal amount) registered in the name of a nominee for [DTC/CDS/Definitive IA Registered Notes] (*specify principal amounts*)]

(Ensure that this is consistent with the wording in the “Form of the Notes” section in the Offering Circular and the Notes themselves. N.B. The exchange upon notice/at any time options forbearer Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: “[U.S.\$200,000] and integral multiples of [U.S.\$1,000] in excess thereof, up to and including [U.S.\$399,000].” Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)

(“[U.S.\$200,000] and integral multiples of [U.S.\$1,000] in excess thereof, up to and including [U.S.\$399,000] and, for so long as the Notes are represented by a Global Note (as defined below) and Euroclear and Clearstream so permit, the Notes shall be tradable only in the minimum authorized denomination of [U.S.\$200,000] and higher integral multiples of [U.S.\$1,000], notwithstanding that no definitive notes will be issued with a denomination above [U.S.\$399,000].”)

- | | |
|--|--|
| 26. Additional Financial Center(s) or other special provisions relating to Payment Days: | <i>[Not Applicable/give details] (Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 16(b) and 17(c) relate)</i> |
| 27. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature): | <i>[Yes/No. If yes, give details]</i> |
| 28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | <i>[Not Applicable/give details] (N.B. A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues)</i> |
| 29. Details relating to Installment Notes: | |
| (a) Installment Amount(s): | <i>[Not Applicable/give details]</i> |
| (b) Installment Date(s): | <i>[Not Applicable/give details]</i> |

30. Other terms: [Not Applicable/*give details*]

Distribution

31. (a) If syndicated, names of Managers: [Not Applicable/*give names*]

(b) Stabilizing Managers (if any): [Not Applicable/*give name*]

32. If not syndicated, name of Relevant Dealer: [Not Applicable/*give name*]

33. U.S. Selling Restrictions: [Regulation S Category [[1]/[2]]

[TEFRA D/TEFRA C/ TEFRA not applicable (*for Bearer Notes with a maturity of one year or less (including unilateral rollovers and extensions) or Registered Notes*)]

[Notes may be offered and sold to [QIBs]/[QIBs and Institutional Accredited Investors]] [No sales permitted in the U.S.]

34. Additional selling restrictions: [Not Applicable/*give details*]

Operational Information

35. Any clearing system(s) other than Euroclear and Clearstream and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]

36. Delivery: Settlement with Issuer is delivery [against/free of] payment

37. Additional Paying Agent(s) (if any): [●]

ISIN: [●]

Common Code: [●]

CUSIP:(*insert here any other relevant codes such as CINS*) [Not Applicable/*specify*]

LISTING AND ADMISSION TO TRADING APPLICATION

This Pricing Supplement comprises the pricing supplement required to list the issue of Notes described herein pursuant to the U.S.\$15,000,000,000 Multi-currency Global Medium Term Note Program of the Issuer and the Guarantor.

[The [name of Stock Exchange] (the “[●] Stock Exchange”) assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Pricing Supplement. Approval in-principle from, admission of the Notes to [the Official List] of, and the listing and quotation of the Notes on, the [●] Stock Exchange is not to be taken as an indication of the merits of the Issuer or the Guarantor, the Program or the Notes.]¹

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.
Signed on behalf of the Issuer:

By: _____

Duly authorized

Signed on behalf of the Guarantor:

By: _____

Duly authorized

¹ Subject to change depending on requirement of the Stock Exchange for listing the Notes.

TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions (the “**Conditions**”) of the Notes (as defined below) which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the rules of the relevant stock exchange or other relevant authority (if any) and agreed by the Issuers, the Guarantor and the Relevant Dealer(s) at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Conditions, replace or modify the following Conditions for the purpose of such Notes (except that terms of all Tranches constituting a Series of Notes will be identical in all respects except for their respective Issue Dates, Interest Commencement Dates (if applicable) and/or Issue Prices (if applicable)). The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Form of the Notes” for a description of the content of the Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by PETRONAS Capital Limited, PETRONAS Energy Canada Ltd. or any additional issuer which is a Wholly-Owned Subsidiary of Petroliaam Nasional Berhad (PETRONAS) (as defined below) and has acceded to the Program by executing an accession agreement pursuant to the terms of the Agency Agreement (as defined below) (each of PETRONAS Capital Limited, PETRONAS Energy Canada Ltd. and such additional issuers, in relation to the Notes issued by it, the “**Issuer**”). The Notes will be guaranteed by Petroliaam Nasional Berhad (PETRONAS) (in such capacity, the “**Guarantor**”) pursuant to the terms of the Agency Agreement.

References herein to the “**Notes**” shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a “**Global Note**”), units of the lowest Specified Denomination in the Specified Currency (as defined below);
- (b) any Global Note;
- (c) any definitive Notes in bearer form (“**Bearer Notes**”), issued in exchange for a Global Note in bearer form; and
- (d) any definitive Notes in registered form (“**Registered Notes**”) (whether or not issued in exchange for a Global Note in registered form).

The Notes, and in the case of the Bearer Notes, the Receipts (as defined below) and the Coupons (as defined below), are issued pursuant to, and have the benefit of, an amended and restated agency agreement dated February 26, 2021, (such agency agreement as further amended and/or supplemented and/or restated from time to time, and with respect only to any Notes which clear through CDS, includes the sub-paying agency agreement dated as of February 26, 2021, among the Issuers, the Guarantor, the Principal Paying Agent and the CDS Registrar (the “**Agency Agreement**”)), and made among the Issuers, the Guarantor, The Bank of New York Mellon, London Branch, as principal paying agent (the “**Principal Paying Agent**”, which term includes any successor thereto appointed pursuant to the terms of the Agency Agreement, and collectively (and together with the Paying Agents and Exchange Agents (both as defined below), the DTC Registrar, CDS Registrar and the Euroclear/Clearstream Registrar (each as defined below and a “**Registrar**”), the

“**Agents**”), The Bank of New York Mellon, as paying agent (a “**Paying Agent**”, which term includes any successor thereto or additional paying agent appointed pursuant to the terms of the Agency Agreement), exchange agent (an “**Exchange Agent**”, which term includes any successor thereto or additional exchange agent appointed pursuant to the terms of the Agency Agreement), transfer agent (a “**Transfer Agent**”, which term includes any successor thereto or additional transfer agent appointed pursuant to the terms of the Agency Agreement) and DTC registrar (the “**DTC Registrar**”, which term includes any successor thereto), BNY Trust Company of Canada as CDS registrar (the “**CDS Registrar**,” which term includes any successor thereto), Paying Agent and Transfer Agent, and The Bank of New York Mellon SA/NV, Luxembourg Branch, as the Euroclear/Clearstream registrar (the “**Euroclear/Clearstream Registrar**”, which term includes any successor thereto) and Transfer Agent.

Interest-bearing definitive Bearer Notes have (unless otherwise indicated in the applicable Pricing Supplement) interest coupons (“**Coupons**”) and, if indicated in the applicable Pricing Supplement, talons for further Coupons (“**Talons**”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in installments have receipts (“**Receipts**”) for the payment of the installments of principal (other than the final installment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Conditions, and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References to the “**applicable Pricing Supplement**” are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to “**Noteholders**” or “**holders**” in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to “**Receiptholders**” shall mean the holders of the Receipts, and any reference herein to “**Couponholders**” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, “**Tranche**” means Notes which are identical in all respects (including as to listing and admission to trading), and “**Series**” means a Tranche of Notes together with any further Tranche(s) of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates (if applicable) and/or Issue Prices (if applicable).

Copies of the Agency Agreement are available for inspection between 10:00 a.m. and 4:00 p.m., Monday to Friday (except on public holidays) at the specified office of each of the Paying Agents. Copies of the applicable Pricing Supplement are available for inspection during normal business hours at the specified office of each of the Paying Agents except that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be available for inspection by a Noteholder holding one or more unlisted Notes of such Series and such Noteholder must produce evidence satisfactory to the relevant Paying Agent as to its holding of such Notes and its identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings when used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, or between these Conditions and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes may be issued in bearer form or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, will be serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination, and Bearer Notes may not be exchanged for Registered Notes and vice versa. Registered Notes are represented by registered certificates and, except as provided in Condition 2.3 (*Registration of transfer upon partial redemption*), each such certificate shall represent the entire holding of Registered Notes by the same holder.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Installment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement. This Note may also be a Limited Recourse Note, as indicated in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached and (if applicable) Receipts and Talons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to Bearer Notes, Receipts and Coupons will pass by delivery and title to Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph, and no person shall be liable for so treating the holder.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV as operator of the Euroclear system (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream**”), each person (other than Euroclear or Clearstream) who is for the time being shown in the records of Euroclear or Clearstream as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor and the Agents as the holder of such principal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such principal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer, the Guarantor and any Agent as the holder of such principal amount of such Notes in accordance with and subject to the terms of the relevant Global Note. For so long as The Depository Trust Company (“**DTC**”) or its nominee is the registered

owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants. For so long as the nominee CDS Clearing and Depository Services Inc. ("CDS") is the registered owner or holder of a Registered Global Note, such nominee will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes. In each of the cases referred to above, the expressions "**Noteholder**" and "**holder of Notes**" and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, CDS, Euroclear and Clearstream, as the case may be. References to DTC, CDS, Euroclear and/or Clearstream shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

2. TRANSFERS OF REGISTERED NOTES

2.1 *Transfers of interests in Registered Global Notes*

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, CDS, Euroclear or Clearstream, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorized denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of DTC, CDS, Euroclear or Clearstream, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee. Transfers of a Registered Global Note registered in the name of a nominee for CDS shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of CDS or to a successor of CDS or such successor's nominee.

2.2 *Transfers of Registered Notes in definitive form*

Subject as provided in Conditions 2.5 (Transfers of Registered Notes—Transfers of interests in Regulation S Global Notes), 2.6 (Transfers of Registered Notes—Transfers of interests in Legended Notes) and 2.7 (Transfers of Registered Notes—Exchanges and transfers of Registered Notes generally), upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part in the authorized denominations set out in the applicable Pricing Supplement. In order to effect any such transfer (i) the holder(s) must (A) surrender the Registered Note for registration of the transfer of the Registered Note, or the relevant part of the Registered Note, at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder(s) thereof or his or their attorney(s) duly authorized in writing, and (B) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent, and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be

satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer, the Guarantor and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 8 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within five business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and make available for collection at the specified office of the Transfer Agent, or deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate principal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 8 (*Redemption and Purchase*), the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 Costs of registration

Neither the Agents nor the Noteholders will be required to bear the costs and expenses of effecting any registration of transfer as provided above, except that Noteholders shall bear any costs or expenses of delivery other than by regular uninsured mail and the Issuer (or the Guarantor) may require the payment by the Noteholders of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

2.5 Transfers of interests in Regulation S Global Notes

Prior to expiry of the applicable Distribution Compliance Period (as defined below), transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note (as defined below) to a transferee in the United States or who is a U.S. person will only be made:

- (a) in the case of a Series which specifies Rule 144A Notes or IAI Registered Notes in the applicable Pricing Supplement, upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate (a “**Transfer Certificate**”), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:
 - (i) to a person whom the transferor reasonably believes is a QIB (as defined below) in a transaction meeting the requirements of Rule 144A (as defined below); or
 - (ii) to a person who is an Institutional Accredited Investor, in which case the Transfer Certificate must be accompanied by a duly executed investment letter from the relevant transferee substantially in the form set out in Schedule 3 of the Agency Agreement (an “**IAI Investment Letter**”); or

- (b) otherwise pursuant to the Securities Act (as defined below) or an exemption therefrom, subject to receipt by the Issuer and the Guarantor of such satisfactory evidence as the Issuer and the Guarantor may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable federal securities laws of the United States or any applicable securities laws of any state of the United States,

and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

In the case of (i) above, such transferee may take delivery through a Legended Note (as defined below) in global or definitive form, and, in the case of (ii) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the applicable Distribution Compliance Period such certification requirements will no longer apply to such transfers.

2.6 Transfers of interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

- (a) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S (as defined below); or
- (b) to a transferee who takes delivery of such interest through a Legended Note:
 - (i) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or
 - (ii) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee; or
- (c) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer and the Guarantor of such satisfactory evidence as the Issuer and the Guarantor may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable federal securities laws of the United States or any applicable securities laws of any state of the United States,

and, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, CDS, Euroclear or Clearstream, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the

Legend, as the case may be, unless there is delivered to the Issuer and the Guarantor such satisfactory evidence as may reasonably be required by the Issuer and the Guarantor, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

2.7 Exchanges and transfers of Registered Notes generally

Holders of Registered Notes in definitive form, other than Institutional Accredited Investors, may exchange such Notes for interests in a Registered Global Note of the same type, subject to compliance with applicable legal and regulatory restrictions and upon the terms and conditions set forth in the Agency Agreement.

2.8 Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for any redemption, payment of principal or interest or other payment on such Note, (ii) during the 15 days before any dates on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 8.3 (*Redemption and Purchase—Redemption at the option of the Issuer (“Issuer Call”)*), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date (as defined below).

2.9 Definitions

In this Condition, the following expressions shall have the following meanings:

“Distribution Compliance Period” means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the Relevant Dealer(s) (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

“Institutional Accredited Investor” means **“accredited investors”** (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions;

“Legended Note” means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

“QIB” means a **“qualified institutional buyer”** within the meaning of Rule 144A;

“Regulation S” means Regulation S under the Securities Act;

“Regulation S Global Note” means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

“Rule 144A” means Rule 144A under the Securities Act; and

“Securities Act” means the United States Securities Act of 1933, as amended.

3. STATUS OF THE NOTES; GUARANTEE

3.1 Notes

The Notes and any Receipts and Coupons relating thereto are direct, unconditional, unsubordinated and (subject to Condition 4 (*Certain Covenants*)) unsecured general obligations of the relevant Issuer and shall at all times rank pari passu, without any preference among themselves and equally with all other unsecured and unsubordinated general obligations of the Issuer, from time to time outstanding. It is understood that this provision shall not be construed so as to require the Issuer to make payments under the Notes, Receipts and Coupons ratably with payments being made under any other indebtedness of the Issuer.

The Notes and any Receipts and Coupons relating thereto are guaranteed as to payment of principal and interest by the Guarantor as set forth in Condition 3.2 below.

3.2 Guarantee

The Guarantor unconditionally and irrevocably guarantees to each holder of the Notes and any Receipts and Coupons relating thereto the payment of the principal of and premium, if any, and interest, if any, on the Notes and the related Receipts and Coupons, when and as the same shall become due and payable, subject to any applicable grace period, whether at maturity, by acceleration, redemption or otherwise. The Guarantor's obligations in that respect with respect to each Tranche shall be contained in a guarantee (the "**Guarantee**") to be dated as at the Issue Date in respect of the relevant Tranche to be issued by the Guarantor.

The Guarantee is a guarantee of payment and not a guarantee of collection.

The Guarantee is a direct, unconditional, unsubordinated and (subject to Condition 4 (*Certain Covenants*)) unsecured general obligation of the Guarantor and shall at all times rank pari passu and equally with all other unsecured and unsubordinated general obligations of the Guarantor, from time to time outstanding. It is understood that this provision shall not be construed so as to require the Guarantor to make payments under the Guarantee ratably with payments being made under any other indebtedness of the Guarantor.

The Guarantor has agreed that its obligations under the Guarantee will be as if it were principal debtor and not merely surety, and will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes. In addition, the Guarantor has expressly waived any right to require any holder of the Notes to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising its rights under the Guarantee. The Guarantee will not be discharged with respect to any Note except by complete performance of the Guarantor's obligations to the holders of the Notes contained in the Notes. Moreover, if at any time any payment of principal of, or interest on, any Note is restored or otherwise returned, whether as required by any court or otherwise, the Guarantee will be reinstated with respect to such payments as though such payments had not been made.

4. CERTAIN COVENANTS

4.1 Negative Pledge

So long as any of the Notes of this Series are outstanding, the Guarantor (not including any of its subsidiaries) shall not create, incur or have outstanding any mortgage, pledge, lien, charge, encumbrance or any other security interest ("**Lien**") upon the whole or any part of its property or

assets, present or future, to secure for the benefit of the holders of any existing or future Indebtedness (as defined below) of itself or any other person (or to secure for the benefit of the holders thereof any guarantee or indemnity in respect thereof) without, in any such case, effectively providing that the Guarantee relating to the Notes of this Series shall be secured equally and ratably with or prior to such Indebtedness (or such guarantee or indemnity in respect thereof) unless, after giving effect thereto, the aggregate outstanding principal amount of all such secured Indebtedness (other than Indebtedness secured by Liens described in clauses (i) through (viii) below) plus Attributable Debt (as defined below) of the Guarantor in respect of Sale/Leaseback Transactions (as defined below) described under Condition 4.2(x) below would not exceed 15 percent of Consolidated Net Tangible Assets (as defined below).

The foregoing restriction will not apply to Indebtedness secured by:

- (i) any Lien existing on the date of first issue of this Series of Notes;
- (ii) any Lien existing on any property or asset prior to the acquisition thereof by the Guarantor or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;
- (iii) any Lien on any property or asset securing Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof, provided that such Lien attaches to such property concurrently with or within 12 months after the acquisition thereof or completion of construction, improvement or repair thereof;
- (iv) any Lien securing Indebtedness owing to or held by the Guarantor;
- (v) any Lien arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any Lien permitted by any of the foregoing clauses, provided that such Indebtedness is not increased and is not secured by any additional property or assets;
- (vi) any Lien arising in the ordinary course of business that is not overdue for a period of more than 30 days or that are contested in good faith through appropriate proceedings;
- (vii) any Lien arising by operation of law that is promptly discharged or that is contested in good faith through appropriate proceedings; or
- (viii) any Lien on cash, cash equivalents or marketable securities created to secure set-off arrangements or hedging transactions.

4.2 *Limitation Upon Sale and Leaseback Transactions*

So long as any of the Notes of this Series are outstanding, the Guarantor (not including any of its subsidiaries) shall not enter into any Sale/Leaseback Transaction, unless either (x) the Attributable Debt of the Guarantor in respect of such Sale/Leaseback Transaction and all other Sale/Leaseback Transactions (other than such transactions as are permitted by clause (y) below), plus the aggregate outstanding principal amount of Indebtedness secured by Liens then outstanding (excluding any such Indebtedness secured by Liens described in clauses (i) through (viii) of Condition 4.1 above), which Liens do not equally and ratably secure the Guarantee relating to such Notes, would not exceed 15 percent of Consolidated Net Tangible Assets, or (y) the Guarantor, within 12 months after such Sale/Leaseback Transaction, applies to the retirement of Indebtedness of

the Guarantor that is not subordinate to any of the Notes of this Series, an amount equal to the greater of (A) the net proceeds of the sale or transfer of the property or other assets which are the subject of such Sale/Leaseback Transaction or (B) the fair market value of the property or other assets so leased (in each case as determined by the Guarantor). The foregoing restriction shall not apply to any transaction between the Guarantor and a subsidiary.

4.3 *Certain Definitions*

In these Conditions, the following expressions have the following meanings:

“Attributable Debt” means, with respect to any Sale/Leaseback Transaction, the lesser of (x) the fair market value of the property or other assets subject to such transaction and (y) the present value (discounted at a rate per annum equal to the discount rate of a capital lease obligation with a like term in accordance with Financial Reporting Standards in Malaysia (“FRSM”)) of the obligations of the lessee for net rental payments (excluding amounts on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges and contingent rents) during the term of the lease.

“Consolidated Net Tangible Assets” means the total amount of assets of the Guarantor and its consolidated subsidiaries as set forth on the most recent available audited balance sheet of the Guarantor and its consolidated subsidiaries and computed in accordance with FRSM, including investments in associated companies but after deducting therefrom (a) all current liabilities, (b) expenditures carried forward, including all goodwill, trade names, trademarks, patents, unamortized debt, discount and expense and other like intangible assets, if any, and (c) all write-ups of fixed assets, net of accumulated depreciation thereon, occurring after the date of the most recent audited balance sheet of the Guarantor and its consolidated subsidiaries available immediately prior to the date on which the Notes of this Series is first issued.

“Indebtedness” means any obligation for the payment or repayment of money borrowed which has a final maturity of one year or more from its date of incurrence or issuance.

“Sale/Leaseback Transaction” means any arrangement with any person that provides for the leasing by the Guarantor, for an initial term of three years or more, of any property or other assets, whether owned on the date of first issue of this Series of Notes or thereafter acquired, which are to be sold or transferred by the Guarantor after the date of first issue of this Series of Notes to such person for a sale price of U.S.\$10,000,000 (or the equivalent thereof) or more where the rental payments are denominated in a currency other than the Malaysian ringgit.

4.4 *Merger or Consolidation*

(a) *Issuer Merger or Consolidation*

Nothing contained in the Agency Agreement or in the Notes of any Series shall prevent any consolidation (which shall include an amalgamation) of the Issuer with, or merger of the Issuer into, any other corporation or corporations (whether or not affiliated with the Issuer), or successive consolidations or mergers to which the Issuer or its successor or successors shall be a party or parties, or shall prevent any sale, transfer, lease or conveyance of the property of the Issuer as an entirety or substantially as an entirety; provided that:

- (i) in case the Issuer shall consolidate with or merge into another corporation, or sell, transfer, lease or convey its property as an entirety or substantially as an entirety to any

corporation, the corporation formed by such consolidation or into which the Issuer is merged or the corporation which acquires by sale, transfer, lease or conveyance the property of the Issuer as an entirety or substantially as an entirety shall (i) in the case of the Labuan Issuer be a corporation organized under the laws of Malaysia, and (ii) in the case of the Canadian Issuer be a corporation organized under the laws of Canada or a province thereof, and shall expressly assume, by an agreement supplemental hereto executed and delivered to, and in form reasonably satisfactory to, the Principal Paying Agent, the due and punctual payment of the principal and premium, if any, of and interest on the Notes of any Series then outstanding, and any additional amounts, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Agency Agreement, and the Notes of any Series then outstanding on the part of the Issuer to be performed or observed;

- (ii) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Issuer as a result of such transaction as having been incurred by the Issuer at the time of such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and
- (iii) the Issuer has delivered to the Principal Paying Agent an officer's certificate and an opinion of counsel as to matters of law stating that such consolidation, merger, sale, transfer, lease or conveyance and, if a supplemental agreement is required in connection with such transaction, such supplemental agreement comply with the Agency Agreement and the Notes of all Series then outstanding and that all conditions precedent herein provided for relating to such transaction have been complied with.

(b) *Guarantor Merger or Consolidation*

Nothing contained in the Agency Agreement or in the Notes of any Series shall prevent any consolidation of the Guarantor with, or merger of the Guarantor into, any other corporation or corporations (whether or not affiliated with the Guarantor), or successive consolidations or mergers to which the Guarantor or its successor or successors shall be a party or parties, or shall prevent any sale, transfer, lease or conveyance of the property of the Guarantor as an entirety or substantially as an entirety; provided that:

- (i) in case the Guarantor shall consolidate with or merge into another corporation, or sell, transfer, lease or convey its property as an entirety or substantially as an entirety to any corporation, the corporation formed by such consolidation or into which the Guarantor is merged or the corporation which acquires by sale, transfer, lease or conveyance the property of the Guarantor as an entirety or substantially as an entirety shall be a corporation organized under the laws of Malaysia and shall expressly assume, by an agreement supplemental hereto executed and delivered to, and in form reasonably satisfactory to, the Principal Paying Agent, the due and punctual payment of the principal and premium, if any, of and interest on the Notes of any Series then outstanding, and any additional amounts, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Agency Agreement, the notes of any Series and the Guarantee then outstanding on the part of the Guarantor to be performed or observed;
- (ii) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Guarantor as a result of such transaction as having been

incurred by the Guarantor at the time of such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing;

- (iii) if, as a result of any such consolidation or merger or such sale, transfer, lease or conveyance, properties or assets of the Guarantor would become subject to a Lien which would not be permitted by the Notes of any Series or the Guarantee then outstanding, the Guarantor or such successor corporation, as the case may be, shall take such steps as shall be necessary effectively to secure the Guarantee (together with, if the Guarantor shall so determine, any other indebtedness of the Guarantor then existing or thereafter created which is not subordinate to the Guarantee) equally and ratably with (or prior to) all indebtedness secured thereby; and
- (iv) the Guarantor has delivered to the Principal Paying Agent an officer's certificate and an opinion of counsel as to matters of law stating that such consolidation, merger, sale, transfer, lease or conveyance and, if a supplemental agreement is required in connection with such transaction, such supplemental agreement complies with the Agency Agreement and the Guarantee and that all conditions precedent herein provided for relating to such transaction have been complied with.

4.5 *Provision of Information to Noteholders*

Each of the Issuers and the Guarantor covenants that for so long as any of the Notes are "restricted securities" within the meaning of Rule 144 under the Securities Act, it will, at any time when it is not subject to either the periodic reporting requirements of Section 13 or Section 15(d) of the Exchange Act or the requirements of Rule 12g3-2(b) thereunder, provide to any Noteholder or prospective purchaser of Notes designated by such Noteholder, upon the request of such Noteholder or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

4.6 *Ownership and Operations of the Issuer*

The Guarantor will cause the Issuer to at all times during which any Note of this Series is outstanding remain a Wholly-Owned Subsidiary of the Guarantor. For the purposes of these Conditions, "**Wholly-Owned Subsidiary of the Guarantor**" means a subsidiary of the Guarantor 100% of the outstanding capital stock or other ownership interests of which (other than directors' qualifying shares or such minimum number of shares of capital stock owned by another person that is necessary to meet the shareholder requirements under applicable law) shall at the time be owned by the Guarantor or by one or more Wholly-Owned Subsidiaries of the Guarantor.

5. INTEREST

5.1 *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding principal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest. Interest will be payable in arrears on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period

ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding principal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

In these Conditions:

“Day Count Fraction” means, in respect of the calculation of an amount of interest, in accordance with this Condition 5.1:

- (a) if **“Actual/Actual (ICMA)”** is specified in the applicable Pricing Supplement:
 - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **“Accrual Period”**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period (as defined below) and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
 - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

- (b) if “**30/360**” is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

“**Determination Period**” means each period from (and including) a Determination Date to but excluding the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date);

“**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and

“**sub-unit**” means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Euro, one cent.

5.2 *Interest on Floating Rate Notes*

(a) *Interest Payment Dates*

Each Floating Rate Note bears interest on its outstanding principal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrears on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an “**Interest Payment Date**”) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined below), then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 5.2 (*Interest—Interest on Floating Rate Notes—(a)(ii)*) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply mutatis mutandis or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event

- (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day, and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, “**Business Day**” means a day which is both:

- (x) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, New York and any Additional Business Center specified in the applicable Pricing Supplement; and
- (y) either (i) in relation to any sum payable in a Specified Currency other than Euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (if other than London, New York and any Additional Business Center and which, if the Specified Currency is Canadian dollars, Australian dollars or New Zealand dollars, shall be Toronto, Melbourne or Wellington, respectively); or (ii) in relation to any sum payable in Euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the “**TARGET2 System**”) is open; or in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets in Hong Kong are open for general business and settlement of payments in Renminbi.

(b) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Pricing Supplement, which may be “ISDA Determination,” or “Screen Rate Determination”, as described below.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate (as defined below) plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (i), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and

Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes of this Series (the “**ISDA Definitions**”) and under which:

- (1) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (2) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“**LIBOR**”), the Euro-zone inter-bank offered rate (“**EURIBOR**”) or the Hong Kong inter-bank offered rate (“**HIBOR**”), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (i), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

(ii) Screen Rate Determination for Floating Rate Notes

(A) Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11:00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR, or Hong Kong time, in the case of HIBOR), or at 11:15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2:30 p.m. (Hong Kong time), then at 2:30 p.m. (in the case of CNH Hong Kong inter-bank offered rate, or “**CNH HIBOR**”) (such time, the “**Specified Time**”) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

(B) If the Relevant Screen Page is not available as at the Specified Time or, if in the case of Condition 5.2(b)(ii)(A)(1) above, no such offered quotation appears or, in the case of Condition 5.2(b)(ii)(A)(2) above, fewer than three such offered quotations appear, in each case as at the Specified Time, the Issuer (or an independent adviser, appointed by the Issuer) shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination

Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent. “**Reference Banks**” means, in the case of Condition 5.2(b)(ii)(A)(1) above, those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of Condition 5.2(b)(ii)(A)(2) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared; and shall be (in the case of a determination of LIBOR) the principal London office of four major banks in the London inter-bank market, (in the case of a determination of EURIBOR) the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, (in the case of a determination of HIBOR) the principal Hong Kong office of four major banks in the Hong Kong inter-bank market, and (in the case of a determination of CNH HIBOR) the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong inter-bank market, in each case selected by the Issuer and the Guarantor or as specified in the applicable Pricing Supplement.

- (C) If on any Interest Determination Date fewer than two Reference Banks provide the Calculation Agent with such offered quotations as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of the Issuer (or an independent adviser, appointed by the Issuer)) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Hong Kong inter-bank market (if the Reference Rate is HIBOR or CNH HIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer and the Guarantor suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Hong Kong inter-bank market (if the Reference Rate is HIBOR or CNH HIBOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period).

- (D) If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR, EURIBOR, HIBOR or CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(c) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) *Determination of Rate of Interest and Calculation of Interest Amounts*

The Calculation Agent, in the case of certain Floating Rate Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period, subject to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Pricing Supplement. The Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Calculation Agent will calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding principal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

- (1) if “**Actual/Actual (ISDA)**” or “**Actual/Actual**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

- (2) if “**Actual/365 (Fixed)**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (3) if “**Actual/365 (Sterling)**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365, or in the case of an Interest Payment Date falling in a leap year, 366;
- (4) if “**Actual/360**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (5) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

- (6) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

- (7) if “**30E/360 (ISDA)**” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31 and D_2 will be 30.

(e) *Notification of Rate of Interest and Interest Amounts*

The Calculation Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and, except where the relevant Notes are unlisted and are in global form and held in their entirety on behalf of DTC, CDS, Euroclear or Clearstream, in which event there may be substituted for such publication the delivery of such notice to DTC, CDS, Euroclear or Clearstream, as applicable, for communication to the holders of the Notes, notice thereof to be published in accordance with Condition 15 (*Notices*) as soon as practicable after their determination but in no event later than the fourth London Business

Day (as defined below) thereafter, provided that such notification details are provided by the Issuer to the Agent, or in accordance with Annex D of the Procedures Memorandum, as may be amended and restated from time to time. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the Issuer and each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 15 (*Notices*). For the purposes of this paragraph, the expression “**London Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(f) *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2, whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of willful misconduct, fraud or gross negligence) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(g) *Benchmark Discontinuation*

In addition, notwithstanding the provisions above in this Condition 5.2, if a Benchmark Event occurs in relation to a Reference Rate when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

- (i) the Issuer shall use reasonable endeavors to appoint, as soon as reasonably practicable, an Independent Adviser to determine (acting in good faith and in a commercially reasonable manner), no later than five Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the “**IA Determination Cut-off Date**”), a Successor Rate (as defined below) or, alternatively, if there is no Successor Rate, an Alternative Reference Rate (as defined below) for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;
- (ii) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;
- (iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, such Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 5.2(g)); *provided, however*, that if sub-paragraph (ii) applies and the Issuer is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the

Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest (if any)) (subject, where applicable, to substituting the Margin (as defined below) that applied to such preceding Interest Period for the Margin that is to be applied to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (iii) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5.2(g);

- (iv) if the Independent Adviser or the Issuer determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, in order to follow market practice in relation to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines that an Adjustment Spread (as defined below) is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Principal Paying Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 5.2(g). Noteholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Principal Paying Agent (if required). In connection with any such variation in accordance with this Condition 5.2(g)(iv), the Issuer shall comply with the rules of any Stock Exchange on which the Notes are for the time being listed or admitted to trading; and
- (v) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) and any related Adjustment Spread, give notice thereof to the Principal Paying Agent and the Noteholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any related Adjustment Spread and any consequential changes made to these Conditions.

For the purposes of this Condition 5.2(g):

Adjustment Spread means a spread (which may be positive, negative or zero) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders, Receiptholders and Couponholders as a result of the replacement of the Reference Rate with the

Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body;
- (ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines is recognized or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or
- (iii) if no such customary market usage is recognized or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in good faith and in a commercially reasonable manner) to be appropriate.

Alternative Reference Rate means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in good faith and in a commercially reasonable manner) is most comparable to the relevant Reference Rate.

Benchmark Event means:

- (i) the relevant Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist;
- (ii) a public statement by the administrator of the relevant Reference Rate that it will, by a specified date within the following six months, cease publishing the relevant Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the relevant Reference Rate);
- (iii) a public statement by the supervisor of the administrator of the relevant Reference Rate, that the relevant Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued;
- (iv) a public statement by the supervisor of the administrator of the relevant Reference Rate as a consequence of which the relevant Reference Rate will be prohibited from being used either generally, or in respect of the Notes, in each case within the following six months;
- (v) it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the relevant Reference Rate; or
- (vi) the making of a public statement by the supervisor of the administrator of the relevant Reference Rate announcing that such Reference Rate is no longer representative or may no longer be used.

Independent Adviser means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed by the Issuer at its own expense.

Margin means Margin as indicated in the applicable Pricing Supplement, if any.

Original Reference Rate means the originally-specified Reference Rate in the applicable Pricing Supplement.

Relevant Nominating Body means, in respect of a Reference Rate:

- (i) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which the Reference Rate relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate, (C) a group of the aforementioned central banks or other supervisory authorities, or (D) the Financial Stability Board or any part thereof.

Successor Rate means the rate that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

5.3 *Zero Coupon Notes*

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount (as defined below) of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such Note shall be a rate per annum (expressed as a percentage) equal to the Accrual Yield (as described in paragraph (c) of Condition 8.6 (*Early Redemption Amounts*)).

5.4 *Interest on Dual Currency Interest Notes*

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

5.5 *Interest on Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up principal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

5.6 *Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation

thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 15 (*Notices*).

6 LIMITED RECOURSE

The amounts payable in respect of the Limited Recourse Notes shall be determined in the manner specified in the applicable Pricing Supplement.

7 PAYMENTS

7.1 *Method of payment*

Subject as provided below:

- (a) payments in a Specified Currency other than Euro and Renminbi will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a check in such Specified Currency drawn on, a bank in the principal financial center of the country of such Specified Currency (which, if the Specified Currency is Canadian dollars, Australian dollars or New Zealand dollars, shall be Toronto, Melbourne or Wellington, respectively);
- (b) payments in Euro will be made by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee or, at the option of the payee, by a Euro check; and
- (c) payments in Renminbi will be made by a transfer to a Renminbi account maintained by or on behalf of the payee with a bank in Hong Kong.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*). References to “**Specified Currency**” will include any successor currency under applicable law and exclude the Malaysian ringgit.

7.2 *Presentation of definitive Bearer Notes, Receipts and Coupons*

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 7.1 (*Payments—Method of payment*) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and

other areas subject to its jurisdiction)) and in each case payments will not be made by a transfer of funds to an account maintained by the payee in the United States or mailed to an address in the United States.

Payments of installments of principal (if any) in respect of definitive Bearer Notes, other than the final installment, will (subject as provided below) be made in the manner provided in Condition 7.1 (*Payments—Method of payment*) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final installment will be made in the manner provided in Condition 7.1 (*Payments—Method of payment*) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant installment together with the definitive Bearer Note to which it appertains. Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 9 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 10 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A “**Long Maturity Note**” is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose principal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the principal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

7.3 *Payments in respect of Bearer Global Notes*

Payments of principal and interest (if any) in respect of any Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in

relation to definitive Bearer Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note in bearer form, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the relevant Paying Agent to which it was presented and such record shall be prima facie evidence that the payment in question has been made.

7.4 Payments in respect of Registered Notes

Payments of principal (other than installments of principal prior to the final installment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the “**Register**”), (i) where the Notes are in global form, at the close of the business day (being for this purpose, a day on which Euroclear, Clearstream, DTC or CDS, as the case may be, are open for business in respect of Notes cleared through Euroclear, Clearstream, DTC or CDS, as the case may be) before the relevant due date and (ii) where the Notes are in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (a) a holder does not have a Designated Account or (b) the principal amount of the Notes held by a holder is less than U.S.\$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a check in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, “**Designated Account**” means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account and, in the case of payment in Renminbi, means a Renminbi account maintained by or on behalf of the payee with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth Hong Kong business day before the due date for payment) maintained by a holder with a Designated Bank and identified as such in the Register and “**Designated Bank**” means (in the case of payment in a Specified Currency other than Euro and Renminbi) a bank in the principal financial center of the country of such Specified Currency (which, if the Specified Currency is Canadian dollars, Australian dollars or New Zealand dollars, shall be Toronto, Melbourne or Wellington, respectively), (in the case of a payment in Euro) any bank which processes payments in Euro, and (in the case of a payment in Renminbi) a bank in Hong Kong that settles payments in Renminbi.

Payments of interest and payments of installments of principal (other than the final installment) in respect of each Registered Note (whether or not in global form) will be made (A) in the case of payments of interest in a Specified Currency other than Renminbi, by a check in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the relevant Register, or (B) in the case of payments of interest in Renminbi, by transfer to a Renminbi account maintained by or on behalf of the payee with a bank in Hong Kong, in each case (i) where the Notes are in global form, at the close of business day (being for this purpose, a day on which Euroclear, Clearstream, DTC or CDS, as the case may be, are open for business in respect of Notes cleared through Euroclear, Clearstream, DTC or CDS, as the case may be) before the relevant due date and (ii) where the Notes are in definitive form, at the close of business on the fifth Hong Kong business day (in the case of Renminbi) or on the fifteenth day (in the case of a Specified Currency other than

Renminbi, whether or not such day is a business day) before the relevant due date (the “**Record Date**”) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest or an installment of principal (other than the final installment) in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and installments of principal (other than the final installment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final installment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a check posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for conversion into and payment in U.S. dollars in accordance with the provisions of the Agency Agreement.

All amounts payable to CDS or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than Canadian dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of CDS or its nominee for conversion into and payment in Canadian dollars in accordance with the provisions of the Agency Agreement.

None of the Issuer, the Guarantor or any of the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

7.5 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer (and the Guarantor) will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of DTC, CDS, Euroclear or Clearstream, as the beneficial holder of a particular principal amount of Notes represented by such Global Note must look solely to DTC, CDS, Euroclear or Clearstream, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal

and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer and the Guarantor have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

7.6 *Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, “**Payment Day**” means any day which (subject to Condition 10 (*Prescription*)) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) in the case of Notes in definitive form only, the relevant place of presentation;
 - (ii) London and New York; and
 - (iii) any Additional Financial Center specified in the applicable Pricing Supplement; and
- (b) either (1) in relation to any sum payable in a Specified Currency other than Euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial center of the country of the relevant Specified Currency (which if the Specified Currency is Canadian dollars, Australian dollars or New Zealand dollars shall be Toronto, Melbourne or Wellington, respectively) or (2) in relation to any sum payable in Euro, a day on which the TARGET2 System is open; or (3) in relation to any sum payable in Renminbi, a day on which commercial banks and foreign exchange markets in Hong Kong are open for general business and settlement of payments in Renminbi.

7.7 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 9 (*Taxation*);
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Notes redeemable in installments, the Installment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortized Face Amount (as defined in Condition 8.6 (*Redemption and Purchase—Early Redemption Amounts*))); and
- (g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 9 (*Taxation*).

7.8 Currency of Payment

If any payment in respect of this Note is payable in a Specified Currency other than U.S. dollars that is no longer used by the government of the country issuing such currency for the payment of public and private debts or used for settlement of transactions by public institutions in such country or within the international banking community, or in a Specified Currency that is not expected to be available, when any payment on this Note is due as a result of circumstances beyond the control of the Issuer and the Guarantor, the Issuer and the Guarantor shall be entitled to satisfy their obligations in respect of such payment by making such payment in U.S. dollars on the basis of the noon buying rate in U.S. dollars in New York City for wire transfers for such Specified Currency as published by the Federal Reserve Bank of New York on the second Business Day prior to such payment or, if such rate is not available on such second Business Day or is not so published, on the basis of the rate most recently available to the Calculation Agent on or prior to such second Business Day. Any payment made by the Issuer or the Guarantor under such circumstances in such other currency or U.S. dollars will constitute valid payment, and will not constitute a default in respect of this Note. For the purpose of this Condition 7.8, “Business Day” means a day on which the Federal Reserve Bank of New York is open for business in New York City.

8. REDEMPTION AND PURCHASE

8.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

8.2 *Redemption for tax reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note or a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the applicable Agent and, in accordance with Condition 15 (*Notices*), the Noteholders (which notice shall be irrevocable), if:

- (a) the Issuer or (if the Guarantor is required to make payments under the Guarantee) the Guarantor has or will become obligated to pay the additional amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 9 (*Taxation*)) or any regulations or rulings promulgated thereunder, or any change in the official application or official interpretation of such laws or regulations or rulings, or any change in the official application or official interpretation of, or any execution of or amendment to, any treaty or treaties affecting in taxation to which the Tax Jurisdiction is a party, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes of the relevant Series; and
- (b) such obligation cannot be avoided by the Issuer or the Guarantor, taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obligated to pay such additional amounts were a payment in respect of the Notes (or the Guarantee), then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer or the Guarantor shall deliver to the Principal Paying Agent a certificate signed by an authorized officer of the Issuer or the Guarantor, stating that the Issuer or the Guarantor is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer or the Guarantor so to redeem have occurred.

Notes redeemed pursuant to this Condition 8.2 will be redeemed at their Early Redemption Amount referred to in Condition 8.6 (*Redemption and Purchase—Early Redemption Amounts*) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

8.3 *Redemption at the option of the Issuer (“Issuer Call”)*

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given:

- (a) not less than 15 nor more than 60 days' notice to the Noteholders in accordance with Condition 15 (*Notices*); and
- (b) not less than three Business Days before the giving of the notice referred to in (a) above, notice to the Principal Paying Agent and, in the case of a redemption of Registered Notes, the Registrar; (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a principal amount not less than the Minimum Redemption Amount

and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed (“**Redeemed Notes**”) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of DTC, CDS, Euroclear and/or Clearstream, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “**Selection Date**”). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 (*Notices*) not less than 15 days prior to the date fixed for redemption. The aggregate principal amount of Redeemed Notes represented by definitive Notes shall bear the same proportion to the aggregate principal amount of all Redeemed Notes as the aggregate principal amount of definitive Notes outstanding bears to the aggregate principal amount of the Notes outstanding, in each case on the Selection Date, provided that, such first mentioned principal amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination and the aggregate principal amount of Redeemed Notes represented by a Global Note shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 8.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 (*Notices*) at least five days prior to the Selection Date.

8.4 ***Redemption at the option of the Noteholders (“Investor Put”)***

If Investor Put is specified in the applicable Pricing Supplement, then, if and to the extent specified in the applicable Pricing Supplement, upon the holder of any Note, giving to the Issuer, in accordance with Condition 15 (*Notices*), not less than 15 nor more than 30 days’ notice (or such other notice period as is specified in the applicable Pricing Supplement) (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement in whole (but not in part), such Note on the Optional Redemption Date and at the relevant Optional Redemption Amount as specified in, or determined in the manner specified in, the applicable Pricing Supplement, together, if applicable, with interest accrued to (but excluding) the relevant Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions relating to such conditions and circumstances will be set out in the applicable Pricing Supplement. Registered Notes may be redeemed under this Condition 8.4 in any multiple of their lowest Specified Denomination.

While any Bearer Note that was issued in accordance with TEFRA D is held in the form of a Temporary Bearer Global Note, the right described in this Condition 8.4 will be available only to the extent that non-U.S. beneficial ownership certification has been received by the relevant Issuer or its agent pursuant to TEFRA D.

8.5 ***Put Notices***

To exercise the right to require redemption of this Note pursuant to Condition 8.4 (*Redemption and Purchase—Redemption at the option of the Noteholders (“Investor Put”)*), the Noteholder must deliver, at the specified office of the relevant Paying Agent (in the case of Bearer Notes) or the relevant Registrar (in the case of Registered Notes), at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, the Note (except for a Global Note) together with a duly signed and completed notice of exercise in the form

(for the time being current) obtainable from the specified office of the Paying Agent or, as the case may be, the Registrar (a “**Put Notice**”) and in which the holder must specify a bank account (or, if payment is required to be made by check, an address) to which payment is to be made under this Condition or evidence satisfactory to the Paying Agent concerned or, as the case may be, the Registrar that the Note will, following delivery of the Put Notice, be held to its order or under its control and, in the case of Registered Notes, the principal amount thereof to be redeemed and, if less than the full principal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2 (*Transfers of Registered Notes—Transfers of Registered Notes in definitive form*). If this Note is in definitive form, the Put Notice must be accompanied by this Note or evidence satisfactory to the relevant Paying Agent concerned that this Note will, following delivery of the Put Notices, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through DTC, CDS, Euroclear or Clearstream, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Paying Agent of such exercise in accordance with the standard procedures of DTC, CDS, Euroclear and/or Clearstream (as the case may be) (which may include notice being given on his instruction by DTC, CDS, Euroclear and/or Clearstream or any common depositary for them to the relevant Paying Agent by electronic means) in a form acceptable to DTC, CDS, Euroclear and/or Clearstream (as the case may be) from time to time and at the same time present or procure the presentation of the relevant Global Note to the Paying Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of DTC, CDS, Euroclear and/or Clearstream given by a holder of any Note pursuant to Condition 8.4 (*Redemption and Purchase—Redemption at the option of the Noteholders (“Investor Put”)*) shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event, such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to Condition 8.4 (*Redemption and Purchase—Redemption at the option of the Noteholders (“Investor Put”)*) and instead to declare such Note forthwith due and payable pursuant to Condition 11 (*Events of Default*).

8.6 *Early Redemption Amounts*

For the purpose of Condition 8.2 (*Redemption and Purchase—Redemption for tax reasons*) above and Condition 11 (*Events of Default*), each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note but including an Installment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its principal amount; or
- (c) in the case of a Zero Coupon Note, at an amount (the “**Amortized Face Amount**”) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

“**RP**” means the Reference Price;

“**AY**” means the Accrual Yield expressed as a decimal; and

“**y**” is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes of the relevant Series to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360, or on such other calculation basis as may be specified in the applicable Pricing Supplement.

8.7 Installments

Installment Notes will be redeemed in the Installment Amounts and on the Installment Dates. The outstanding principal amount of each such Note shall be reduced by the Installment Amount (or, if such Installment Amount is calculated by reference to a proportion of the principal amount of such Note, such proportion) for all purposes with effect from the related Installment Date, unless payment of the Installment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date (as defined in Condition 9 (*Taxation*)) relating to such Installment Amount. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 8.6 (*Redemption and Purchase—Early Redemption Amounts*) above.

8.8 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

8.9 Purchases

The Issuer, the Guarantor and any of their respective subsidiaries may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) by tender (available to all Noteholders alike) or in the open market at any price. If the Issuer, the Guarantor or any of their respective subsidiaries shall acquire any Notes, such acquisition shall not operate as or be deemed for any purpose to be a satisfaction of the indebtedness represented by such Notes unless and until such Notes are delivered to the relevant Paying Agent and/or the Registrar for cancellation and are cancelled and retired by such Paying Agent and/or the Registrar. Notes purchased or otherwise acquired or held by or on behalf of the Issuer, the Guarantor or any of their respective subsidiaries may be held, reissued, resold or, at their discretion, surrendered to any Paying Agent and/or the Registrar for cancellation. Notes purchased or otherwise acquired or held by or on behalf of the Issuer, the Guarantor or any of their respective subsidiaries shall not have voting rights at meetings of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of Noteholders.

8.10 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 8.9 (*Redemption*

and Purchase—Purchases) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent (which shall notify the Registrar of such cancelled Notes in the case of Registered Notes) and cannot be reissued or resold.

8.11 *Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 8.1 (*Redemption and Purchase—Redemption at maturity*), 8.2 (*Redemption and Purchase—Redemption for tax reasons*), 8.3 (*Redemption and Purchase—Redemption at the option of the Issuer (“Issuer Call”)*), or 8.4 (*Redemption and Purchase—Redemption at the option of the Noteholders (“Investor Put”)*) above or upon its becoming due and repayable as provided in Condition 11 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (c) of Condition 8.6 (*Redemption and Purchase—Early Redemption Amounts*) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or, in the case of Registered Notes, the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 15 (*Notices*).

8.12 *Obligation to redeem*

Upon the expiry of any notice as is referred to in Condition 8.2 (*Redemption and Purchase—Redemption for tax reasons*), 8.3 (*Redemption and Purchase—Redemption at the option of the Issuer (“Issuer Call”)*), or 8.4 (*Redemption and Purchase—Redemption at the option of the Noteholders (“Investor Put”)*) above, the Issuer, failing whom, the Guarantor, shall be bound to redeem the Notes to which the notice referred at the relevant redemption price applicable at the date of such redemption together with, if appropriate, interest accrued to (but excluding) the relevant redemption date.

9. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons or under the Guarantee by or on behalf of the Issuer or the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the relevant Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer (or the Guarantor) will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) where such withholding or deduction is imposed on a payment to a holder or beneficial owner of such Note, Receipt or Coupon by reason of such holder or beneficial owner

being or having been connected with the relevant Tax Jurisdiction (or any political subdivision thereof) other than merely by holding such Note, Receipt or Coupon or receiving principal or interest or other payments in respect thereof; or

- (b) where the holder or any other person who holds an interest in the Note, Receipt or Coupon is a fiduciary, a partnership or any person other than the sole beneficial owner of such payment, and such withholding or deduction would not have been imposed had the beneficiary or settlor with respect to such fiduciary, member of such partnership or beneficial owner of such payment been the actual holder of the Note, Receipt or Coupon; or
- (c) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 7.6 (*Payments—Payment Day*)); or
- (d) [Intentionally omitted]; or
- (e) where such withholding or deduction is imposed pursuant to FATCA; or
- (f) presented for payment (where presentation is required) by or on behalf of a holder or any other person if such holder or other person would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a member state of the European Union; or
- (g) where such withholding or deduction is imposed on a payment to a holder or beneficial owner or any other person who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority if the Principal Paying Agent has been notified in writing by the Issuer (or the Guarantor) of the opportunity to make such a declaration or claim (such notice to be provided by the Principal Paying Agent to the relevant clearing organization); or
- (h) where the Note was issued by the Canadian Issuer, the Canadian Issuer does not deal at arm's length (for the purposes of the *Income Tax Act* (Canada)) with either: (1) the holder or beneficial owner of such Note, Receipt or Coupon, or (2) in the case where a payment is made to a holder or beneficial owner of a Coupon, the holder or beneficial owner of the related Note (as applicable); or
- (i) where the Note was issued by the Canadian Issuer, the holder or beneficial owner of such Note is, or does not deal at arm's length (for the purposes of the *Income Tax Act* (Canada)) with any person who is, a "specified shareholder" of the Canadian Issuer for the purposes of the thin capitalization rules in the *Income Tax Act* (Canada); or
- (j) any combination of paragraphs (a), (b), (c), (d), (e), (f), (g), (h) or (i) above.

As used herein:

- (i) "**Tax Jurisdiction**" means, with respect to the Labuan Issuer and the Guarantor, Malaysia or any political subdivision or any authority thereof or therein (including Labuan) having

power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Labuan Issuer or the Guarantor is or becomes subject in respect of payments made by it of principal and interest on the Notes, Receipts or Coupons or under the Guarantee, as the case may be, by reason of being organized or resident for tax purposes in or making payments from or through such jurisdiction, and with respect to Notes issued by the Canadian Issuer means Canada or any political subdivision or any authority thereof or therein (including Alberta) having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Canadian Issuer or the Guarantor is or becomes subject in respect of payments made by it of principal and interest on the Notes, Receipts or Coupons or under the Guarantee, as the case may be, by reason of being organized or resident for tax purposes in or making payments from or through such jurisdiction;

- (ii) the “**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the relevant Agent or the relevant Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15 (*Notices*); and
- (iii) “**FATCA**” means Sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended, or any successor or amended version of these provisions, any agreement with the U.S. Treasury entered into with respect thereto, any U.S. Treasury regulation issued thereunder or any other official interpretations or guidance issued with respect thereto; any intergovernmental agreement entered into with respect thereto, and any law, regulation, or other official interpretation or guidance promulgated pursuant to such intergovernmental agreement.

The obligation to pay additional amounts shall not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge or (b) any tax, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or interest or premium on, the Notes, Receipts or Coupons; provided that, except as otherwise set forth in these Conditions and in the Agency Agreement, the Issuer (or the Guarantor, as applicable) shall pay all stamp and other duties, if any, which may be imposed by Malaysia, Labuan, the United States or any respective political subdivision thereof or any taxing authority of or in the foregoing, with respect to the Agency Agreement or as a consequence of the issuance of the first Tranche of the Notes of the relevant Series.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note, Receipt or Coupon, such mention shall be deemed to include payment of additional amounts to the extent that, in such context, additional amounts are, were or would be payable in respect thereof.

10. PRESCRIPTION

Any monies paid by the Issuer or the Guarantor to the Paying Agents for the payment of the principal of or interest on any Notes and remaining unclaimed at the end of two years after such principal or interest shall have become due and payable shall then be repaid to the Issuer or the Guarantor, and upon such repayment, all liability of the Paying Agent with respect to such monies shall thereupon cease and any Holder representing a claim therefor shall thereafter look only to the Issuer or the Guarantor for payment thereof.

Under New York law, any legal action upon the Notes must be commenced within six years after the payment thereof is due. Thereafter, the Notes will generally become unenforceable.

11. EVENTS OF DEFAULT

The occurrence and continuance of the following will constitute events of default with respect to the Notes (“**Events of Default**”):

- (a) default in the payment of any installment of interest upon any of the Notes as and when the same shall become due and payable, and continuance of such default for a period of 30 days; or
- (b) default in the payment of all or any part of the principal of any of the Notes as and when the same shall become due and payable, whether at maturity, upon redemption or otherwise; or
- (c) failure on the part of the Issuer duly to observe or perform any of the other covenants or agreements on the part of the Issuer contained in the Notes of the relevant Series or in the Agency Agreement for a period of 60 days after the date on which written notice specifying such failure, stating that such notice is a “Notice of Default” under the Notes of the relevant Series and demanding that the Issuer remedy the same, shall have been given by registered or certified mail, return receipt requested, to the Issuer at the office of the Principal Paying Agent by the holders of at least 10 percent in aggregate principal amount of the Notes of the relevant Series at the time outstanding; or
- (d) failure on the part of the Guarantor to duly observe or perform any other of the covenants or agreements on the part of the Guarantor contained in the Guarantee or the Agency Agreement for a period of 60 days after the date on which written notice specifying such failure, stating that such notice is a “Notice of Default” hereunder and demanding that the Guarantor remedy the same, shall have been given by registered or certified mail, return receipt requested, to the Guarantor at its specified office with a copy to the Principal Paying Agent at its specified office by the holders of at least 10 percent in aggregate principal amount of the Notes of the relevant Series at the time outstanding; or
- (e) any indebtedness of the Issuer for borrowed money in the aggregate outstanding principal amount of U.S.\$200,000,000 (or its equivalent in any other currency or currencies) or more either (i) becoming due and payable prior to the due date for payment thereof by reason of acceleration thereof following default by the Issuer or (ii) not being repaid at, and remaining unpaid after, maturity as extended by the period of grace, if any, applicable thereto, or any guarantee given by the Issuer in respect of any indebtedness of any other person in the aggregate outstanding principal amount of U.S.\$200,000,000 (or its equivalent in any other currency or currencies) or more not being honored when, and remaining dishonored after becoming, due and called; provided that, if any such default under any such indebtedness shall be cured or waived, then any default by reason thereof shall be deemed to have been cured and waived; or
- (f) any indebtedness of the Guarantor for borrowed money in the aggregate outstanding principal amount of U.S.\$200,000,000 (or its equivalent in any other currency or currencies) or more either (i) becoming due and payable prior to the due date for payment thereof by reason of acceleration thereof following default by the Guarantor or (ii) not being repaid at, and remaining unpaid after, maturity as extended by the period of grace,

if any, applicable thereto, or any guarantee given by the Guarantor in respect of any indebtedness of any other person in the aggregate outstanding principal amount of U.S.\$200,000,000 (or its equivalent in any other currency or currencies) or more not being honored when, and remaining dishonored after becoming, due and called; provided that, if any such default under any such indebtedness shall be cured or waived, then any default by reason thereof shall be deemed to have been cured and waived; or

- (g) the Government of Malaysia ceasing to own and control (directly or indirectly) at least 51 percent of the issued and outstanding capital stock of the Guarantor; or
- (h) a court or administrative or other governmental agency or body having jurisdiction in the premises shall enter a decree or order for relief in respect of the Issuer or the Guarantor in an involuntary case under any applicable bankruptcy, insolvency, reorganization, compulsory composition or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Issuer or the Guarantor or for any substantial part of its property or ordering the winding up, dissolution or liquidation of its affairs, or shall otherwise adjudicate or find the Issuer or the Guarantor to be bankrupt or insolvent, and such decree or order shall remain unstayed and in effect for a period of 120 consecutive days; or
- (i) the Issuer or the Guarantor shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization, compulsory composition or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer or the Guarantor or for any substantial part of its property, or cease to carry on the whole or substantially the whole of its business or make any general assignment for the benefit of creditors, or enter into any composition with its creditors, or take corporate action in furtherance of any such action.

If an Event of Default with respect to the Notes of a given Series at the time outstanding occurs, the holders of not less than 25 percent in aggregate principal amount of the Notes of such Series then outstanding, by written demand to the Issuer and the Guarantor at their specified offices with a copy to the Principal Paying Agent at its specified address, may declare the principal (or, if the Notes of such Series are Original Issue Discount Notes (as defined below), such portion of the principal amount as may be specified in the terms of such Notes) of all the Notes of such Series and the interest accrued thereon immediately due and payable.

However, the Notes of such Series shall not be due and payable immediately if, prior to the time when the Issuer and the Guarantor receives such notice, all Events of Default provided for herein in respect of the Notes of such Series shall have been cured. Upon such declaration, the Principal Paying Agent shall give notice thereof to the Issuer or the Guarantor and to the holders of the Notes of such Series, by mail and publication as provided herein. If, at any time after any such declaration and before any judgment or decree for the payment of the monies due shall have been obtained or entered, the Issuer or the Guarantor pays or deposits with the Principal Paying Agent all amounts then due with respect to the Notes of such Series (other than amounts due solely because of such declaration) and cures all other Events of Default with respect to the Notes of such Series, such defaults may be waived and such declaration may be annulled and rescinded by the holders of more than 50 percent in aggregate outstanding principal amount of the Notes of such Series by written notice thereof to the Issuer or the Guarantor at their specified offices with a copy to the Principal Paying Agent at its specified office.

For the purpose of this Condition 11, “**Original Issue Discount Notes**” mean any Notes of a Series that provide for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the maturity thereof.

For the purposes of Conditions 11(e) and (f) above, any indebtedness which is in a currency other than U.S. dollars may be translated into U.S. dollars at the spot rate of the sale of U.S. dollars against the purchase of the relevant currency quoted by any leading bank on any day when a quotation is required for such purposes.

The Principal Paying Agent need not do anything to ascertain whether any Event of Default has occurred or is continuing and will not be responsible to the Issuer, the Guarantor, the Noteholders or any other person for any loss arising from any failure by it to do so, and, unless and until the Principal Paying Agent otherwise has received notice in writing to the contrary, the Principal Paying Agent may assume that no such event has occurred and that the Issuer is performing all its obligations under the Conditions.

12. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the relevant Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Agents may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. AGENTS

The names of the initial Agents and their initial specified offices are set out below.

The Issuer and the Guarantor are entitled to vary or terminate the appointment of any Agent and/ or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent and a Registrar;
- (b) so long as the Notes are listed on any Stock Exchange or admitted to trading by any other relevant authority, there will at all times be (in the case of Bearer Notes) a Paying Agent, which may be the Principal Paying Agent, and (in the case of Registered Notes) a Transfer Agent, which may be the Registrar, with a specified office in such place as may be required by the rules and regulations of the relevant Stock Exchange or any other relevant authority (and in the case of Bearer Notes, outside the United States); and
- (c) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York, London or Hong Kong.

In addition, the Issuer and the Guarantor shall immediately appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 7.5 (*Payments—General provisions applicable to payments*). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days’ prior notice thereof shall have been given to the Noteholders in accordance with Condition 15 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

14. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 10 (*Prescription*). Each Talon shall, for the purpose of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

15. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published by the Issuer or the Guarantor in a leading English language daily newspaper of general circulation in London (which is expected to be the Financial Times) and in a leading English language daily newspaper of general circulation in the United States (which is expected to be the Wall Street Journal), or if publication in either such newspaper is not practicable, notice shall be given in such other English language newspaper of general circulation in Europe or in the United States, as the case may be, as the Principal Paying Agent may approve. The Issuer or the Guarantor, shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Bearer Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if (a) sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing, and (b) in addition, if and for so long as the Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of DTC, CDS, Euroclear and/or Clearstream, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to DTC, CDS, Euroclear and/or Clearstream, as applicable, for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or any other relevant authority so require, such notice will be published in a manner specified by those rules. Any such notice shall be deemed to have been given to the holders of the Notes one day after the day on which the said notice was given to DTC, CDS, Euroclear and/or Clearstream.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the

Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). So long as any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through DTC, CDS, Euroclear and/or Clearstream, as the case may be, in such manner as the Principal Paying Agent, the Registrar and DTC, CDS, Euroclear and/or Clearstream, as the case may be, may approve for this purpose.

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this condition.

16. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

16.1 *Meetings of Noteholders*

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and the Guarantor or upon a requisition in writing of Noteholders holding not less than 25% in principal amount of the Notes of the applicable Series for the time being outstanding after such Notes shall have become due and payable due to an Event of Default. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50% in principal amount of the Notes of the applicable Series for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes of the applicable Series so held or represented. However, at any meeting the business of which includes the modification of certain provisions of the Notes, Receipts or Coupons (including modifying the due date for payment of principal, premium, redemption amount or interest thereof, reducing the amount of principal, premium or redemption amount or the rate of interest payable in respect of the Notes, varying the method of or basis for calculating redemption amount, altering the currency of payment of the principal, premium, redemption amount or interest of the Notes, Receipts or Coupons, modifying or cancelling the Guarantee, modifying the majority required to pass an Extraordinary Resolution, or sanctioning any scheme or proposal for the exchange or sale of the Notes), the quorum shall be one or more persons holding or representing not less than 75% in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than 25%, in principal amount of the Notes for the time being outstanding. Any resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting and whether or not they are voting, and on all Receiptholders and Couponholders.

16.2 *Modifications and Waivers*

The Agents, the Issuer and the Guarantor may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (a) any modification (except as mentioned above) of the Notes, the Receipts, the Coupons, the Conditions, the Agency Agreement or the Guarantee which is not materially prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Receipts, the Coupons, the Conditions, the Agency Agreement or the Guarantee which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 15 (*Notices*) as soon as practicable thereafter. For the avoidance of doubt, the Agents shall not have any responsibility or liability whatsoever with respect to any determination as to material prejudice to the interests of the Noteholders, the Receiptholders and the Couponholders pursuant to this Condition 16.2.

17. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders, create and issue further Notes with the same terms and conditions as the Notes in all respects except for the amount and date of the first payment of interest thereon so that such further issue shall be consolidated and form a single Series with the outstanding Notes; provided that, in the case of Bearer Notes initially represented by interests in a Temporary Bearer Global Note exchangeable for interests in a Permanent Bearer Global Note or definitive Bearer Notes, such consolidation will occur only upon certification of non-U.S. beneficial ownership and exchange of interests in the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note or definitive Bearer Notes; provided further that any further Notes that are not Bearer Notes (i) must, if the existing Notes were (or the further Notes will be) issued in reliance on Rule 144A, be assigned security number(s) that are different from the security number(s) assigned to the existing Notes unless the further Notes are issued pursuant to a “qualified reopening” of the existing Notes, are otherwise treated as part of the same “issue” of debt instruments as the existing Notes or are issued with no more than a *de minimis* amount of original issue discount, in each case for U.S. federal income tax purposes, and (ii) with respect to Notes issued by the Canadian Issuer, must be fungible with the existing Notes for Canadian federal income tax purposes.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 *Governing law*

The Agency Agreement, the Notes, the Guarantee, the Receipts and the Coupons are governed by, and shall be construed in accordance with, the law of the State of New York.

18.2 *Submission to jurisdiction; Waiver of immunity; Appointment of Agent*

Each of the Issuer and the Guarantor (a) agrees that any legal suit, action or proceeding arising out of or based upon the Notes, the Guarantee, the Receipts/or the Coupons may be instituted in any state or federal court in the State and County of New York, United States of America, (b) irrevocably waives, to the fullest extent permitted by law, any objection which it may have now or hereafter to the laying of the venue of any such suit, action or proceeding and any claim of inconvenient forum, and (c) irrevocably submits to the jurisdiction of any such court in any such suit, action or proceeding. To the extent that the Issuer or the Guarantor has or hereafter may acquire any immunity from any jurisdiction of any court or from any legal process with respect to itself or its property, each of the Issuer and the Guarantor hereby irrevocably waives such immunity in respect of its obligations under the Notes, the Guarantee, the Receipts and/or the Coupons and, without limiting the generality of the foregoing, agrees that such immunities are waived to the fullest extent permitted under the Foreign Sovereign Immunities Act of 1976 of the United States of America and that such waivers are intended to be irrevocable for purposes of such Act. Each of the Issuer and the Guarantor hereby designates Cogency Global Inc. as its authorized agent to accept and acknowledge on its behalf service of any and all process which may be served in any such suit, action or proceeding in any such court and agrees that service of process upon said agent at its office at 122

East 42nd Street, 18th Floor, New York, NY 10168, United States of America (or at such other address in the Borough of Manhattan, New York City, as such agent may designate by written notice to the Issuer, the Guarantor and the Principal Paying Agent), and written notice of said service to the Issuer or the Guarantor, mailed or delivered to it, at the addresses provided above, shall be deemed in every respect effective service of process upon the Issuer or the Guarantor in any such suit, action or proceeding and shall be taken and held to be valid personal service upon the Issuer or the Guarantor, whether or not the Issuer or the Guarantor shall then be doing, or at any time shall have done, business within the State of New York, and that any such service of process shall be of the same force and validity as if service were made upon it according to the laws governing the validity and requirements of such service in such State, and waives all claim of error by reason of any such service. Neither such appointment nor acceptance of jurisdiction shall be interpreted to include actions brought under the United States federal securities laws.

18.3 *Other documents*

In the Agency Agreement, the Issuers and the Guarantor submitted to the jurisdiction of the courts of the State of New York and appointed an agent for service of process in terms substantially similar to those set out above.

USE OF PROCEEDS

Unless otherwise stated in the applicable Pricing Supplement, PETRONAS Capital Limited intends to provide substantially all of the net proceeds from its issue of Notes to PETRONAS or its subsidiaries and associated companies. PETRONAS or its subsidiaries and associated companies is expected to, in turn, use the proceeds for general corporate purposes.

Unless otherwise stated in the applicable Pricing Supplement, PETRONAS Energy Canada Ltd. intends to utilize the net proceeds from its issue of Notes to fund its exploration, development and production activities, for debt refinancing and for general corporate purposes.

EXCHANGE RATES

United States

The table below sets forth, for the periods and dates indicated, information concerning the noon middle rates from the Interbank Foreign Exchange Market in Kuala Lumpur as reported by Bank Negara Malaysia (the “**Noon Middle Rate**”), expressed in ringgit per U.S. dollar. These rates differ from the actual rates in the preparation of the financial statements and other financial information appearing in this Offering Circular.

	Ringgit per U.S. Dollar			
	High	Low	Average	Period End
2016	4.4860	3.8650	4.1457	4.4860
2017	4.4995	4.0525	4.3008	4.0620
2018	4.1995	3.8580	4.0353	4.1385
2019	4.2250	4.0605	4.1427	4.0925
2020	4.4450	4.0130	4.2016	4.0130
2021				
January 2021	4.0600	3.9965	4.0369	4.0540
February 2021 (up to February 25, 2021)	4.0745	4.0305	4.0452	4.0400

Fluctuations in the exchange rate between the ringgit and the U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future.

This Offering Circular contains translations of ringgit amounts into U.S. dollars at the exchange rate of U.S.\$1.00 = RM4.0130 solely for the convenience of the reader. These translations should not be construed as representations that the ringgit amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. See “*Risk Factors—Risks Relating to Malaysia—Changes in the exchange rate between the U.S. dollar and the Malaysian ringgit could have a negative impact on PETRONAS’ results of operations and financial condition.*” The Noon Middle Rate was U.S.\$1.00 = RM4.0400 on February 25, 2020.

Canada

The table below sets forth, for the periods and dates indicated, information concerning the Noon Middle Rates expressed in ringgit per Canadian dollar. These rates differ from the actual rates in the preparation of the financial statements and other financial information appearing in this Offering Circular.

	Ringgit per Canadian Dollar			
	High	Low	Average	Period End
2016	3.3813	2.9473	3.1300	3.3272
2017	3.4700	3.1431	3.3148	3.2332
2018	3.2326	2.9870	3.1142	3.0377
2019	3.2034	3.0325	3.1222	3.1355
2020	3.1929	3.0071	3.1347	3.1484
2021				
January 2021	3.1955	3.1416	3.1746	3.1505
February 2021 (up to February 25, 2021)	3.2303	3.1516	3.1870	3.2303

Fluctuations in the exchange rate between the ringgit and the Canadian dollar in the past are not necessarily indicative of fluctuations that may occur in the future. The Noon Middle Rate was C\$1.00 = RM3.2303 on February 25, 2020.

GLOSSARY OF OIL AND GAS INDUSTRY TERMS

“associated gas” — natural gas commonly known as gas-cap gas and/or solution gas dissolved in crude oil in a reservoir.

“barrel” — approximately 42 U.S. gallons.

“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.

“bboe” — billion barrels of oil equivalent.

“boe” — barrels of oil equivalent. Conversion of gas reserves to barrels of oil equivalent is at the ratio of 6 billion standard cubic feet of gas to 1 million barrels of crude oil.

“bpd” — barrels per day.

“bscf” — billion standard cubic feet.

“bstb” — billion stock tank barrels.

“coal seam gas” — natural gas contained in coal deposits, whether or not stored in gaseous phase.

“coal bed methane” — A form of natural gas extracted from coal beds, as opposed to the conventional natural gas found in reservoirs.

“condensate” — liquid hydrocarbon composed primarily of pentanes (C5) and heavier molecules that are recovered from natural gas and/or oil fields.

“crude oil” — oil including condensate.

“E&P” — exploration and production.

“entitlement” — the share of Malaysia’s or international production of liquids and/or natural gas to which PETRONAS and its subsidiaries are entitled, including the share of cost oil and/or cost gas and that of profit oil and/or profit gas to which it is entitled under the terms of the production-sharing contracts with PSC Contractors.

“equity interest” — PETRONAS’ holding interest in the discovered reserves and resources and production based on the percentage defined in the relevant PSC or other contract.

“floating LNG” — “floating liquefied natural gas” and consists of either a ship or barge that can be sailed or towed to offshore gas fields, extract gas, freeze it to Liquefied Natural Gas (LNG) and offload the LNG to tankers for shipping.

“FPSO” — a “floating, production, storage and offloading unit” and consists of a converted or custom-built ship-like structure, with modular facilities to process oil and gas and for temporary storage of oil prior to transfer to tankers.

“FSO” — a “floating, storage and offloading unit” and consists of a converted or custom-built ship-like structure for temporary storage of oil prior to transfer to tankers.

“gas” — natural gas.

“gas-cap gas” — free gas that overlies and is in contact with significant quantities of crude oil in a reservoir.

“IPC” — integrated petrochemical complex.

“KPBI basis” — refers to PETRONAS’ Key Performance and Budget Inputs.

“kbpd” — thousand barrels per day.

“liquids” — crude oil, condensates and LPG.

“LNG” — liquefied natural gas.

“LPG” — liquefied petroleum gas.

“mmbbl” — million barrels of oil.

“mmboe” — million barrels of oil equivalent.

“mmbtu” — million British thermal units.

“mmscfd” — million standard cubic feet per day.

“mmstb” — million stock tank barrels.

“mmt” — million metric tons.

“mmtpa” — million metric tons per annum.

“natural gas” — a mixture of hydrocarbons that originally exist in gaseous phase in natural underground reservoirs and is classified as either associated gas or non-associated gas.

“Nm³” — normal cubic meter.

“non-associated gas” — natural gas that is found in a reservoir that does not contain crude oil.

“oil” — crude oil, condensate and natural gas liquids.

“play” — a project associated with a prospective trend of potential prospects but required more data acquisition and/evaluation to define the specific prospects.

“processed gas” — natural gas that has been processed for sale to end-customers.

“sour crude” — crude oil that has a high level of sulfur content and requires more complex refining processes.

“sweet crude” — crude oil that has a low level of sulfur content and requires less complex refining processes.

“tpa” — metric tons per annum.

“tpd” — tons per day.

“tscf” — trillion standard cubic feet.

“unconventional resources” — those oil and gas resources other than conventional oil and gas that occur in sandstone and carbonate rocks, including gas hydrate resources, shale oil and gas, and oil sand.

“ultra-deepwater” — water depths of 1,000 meters or more.

RISK FACTORS

Investing in the Notes offered through this Offering Circular involves risk. You should carefully consider the risks set forth below as well as the other information contained in this Offering Circular before investing in the Notes. Our business is subject to a number of factors, many of which are outside our control. The risks set out below are not an exhaustive list of the challenges that we currently face or may develop in the future. These and other risks, whether known or unknown, may have a material adverse effect on our business.

Risks Relating to PETRONAS' Business

PETRONAS is subject to similar industry risks as other energy companies in Malaysia or elsewhere. PETRONAS' ability to maintain and develop its business and revenues will be affected by, among other things, the prevailing world price of oil and Malaysian domestic energy prices for gas, environmental and regulatory developments and other factors, including those set forth below.

Substantial or extended declines in the prices of crude oil and related oil and gas products, or volatility in the prices of these products, may have a material adverse effect on PETRONAS' business, results of operations and financial condition.

PETRONAS' financial results are affected by international oil and natural gas prices, which have historically fluctuated widely. The market prices of crude oil and natural gas are expected to continue to be volatile and are subject to a variety of factors beyond PETRONAS' control. These factors include global and regional supply and demand for crude oil, gas and related products; competition from other energy sources, including new and emerging sources, domestic and foreign government regulations with respect to oil, gas and the energy industry in general; weather conditions and seasonality; global conflicts or acts of terrorism; political instability; overall domestic and international economic conditions; inflation outlook; actions of commodity market participants; outbreaks of viruses or other communicable diseases; and other factors over which PETRONAS has no control. In early March 2020, oil prices experienced a precipitous decline in response to oil demand concerns due to the economic impact of the COVID-19 outbreak as well as anticipated increases in supply from Russia and the Organization of the Petroleum Exporting Countries ("OPEC"), particularly Saudi Arabia. This precipitous decline, following a more general decline beginning in January 2020, followed the COVID-19 outbreak and fear of its further spread, which caused significant disruptions in international economies and international financial and oil markets.

Like other international energy companies, PETRONAS now faces a challenging environment. The COVID-19 pandemic continues to disrupt business and markets globally, including in the oil and gas sector. Brent crude oil prices, which averaged U.S.\$64.31 per barrel in 2019, fell to an average of U.S.\$41.69 per barrel in 2020. During 2020, in addition to falling generally, crude oil prices were extremely volatile. These price trends were due to a combination of a severely reduced demand for crude oil, gasoline, jet fuel, diesel fuel, and other refined products resulting from government-mandated travel restrictions and the curtailment of economic activity resulting from the COVID-19 pandemic, as well as increases in supply from Russia and OPEC (particularly Saudi Arabia) in early 2020, creating excess inventory. In combination, these forces resulted in a market imbalance that may recur, with oil supplies vastly exceeding current and expected near-term demand. Although OPEC and other countries agreed to cut global oil supply, these commitments and actions did not immediately match the dramatic decrease in global demand, which resulted in increased inventory levels in refineries, pipelines and storage facilities. The recent resurgence of the COVID-19 pandemic in certain parts of the world, including the discovery of new and more transmissible

variants of the COVID-19 virus in South Africa and the United Kingdom, could again reduce the global demand for oil and gas, which may drive increased inventory levels and suppress prices. Various governments and other observers have recorded and predicted substantially lower economic growth. According to the World Bank, global GDP in 2020 recorded a 4.3% contraction. Malaysia's economy observed a record contraction of 17.1% in the second quarter of 2020 and contraction of 5.6% for full year 2020, compared to GDP growth of 4.3% in 2019.

As crude oil and natural gas prices provide a benchmark for gas and petrochemical feedstock prices, changes in these prices may also have an impact on gas and petrochemical prices, which typically tend to lag feedstock price changes. Decreases in oil, gas or product prices are likely to have an adverse effect on revenue, margins and profitability. Prolonged periods of low oil and gas prices could result in projects being delayed, deferred or cancelled, impairment of certain assets and the viability of projects may be affected. Higher oil and natural gas prices generally have a positive effect on PETRONAS' operating profit, while lower prices generally have a corresponding negative effect. The weighted average prices of crude oil and natural gas have fluctuated significantly in the past, particularly recently, and they may remain volatile. For a discussion on crude oil prices movements, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Revenue—Commodity Prices.*" PETRONAS recognized a loss for the year in 2020 of RM21,029 million, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—2020 Compared to 2019.*" Substantial or extended declines in international crude oil and natural gas prices may have a material adverse effect on PETRONAS' business, results of operations and financial condition.

The COVID-19 outbreak or other outbreaks of communicable diseases could adversely affect PETRONAS.

The ongoing COVID-19 outbreak, which initially affected China and has spread to other countries, including Malaysia, is expected to continue to negatively affect global economic conditions. This outbreak has affected, and an outbreak of any other communicable disease in any country where PETRONAS has facilities or where its customers or suppliers are based could significantly affect, consumer demand for its products, adversely affect its ability to adequately staff its operations and severely disrupt the supply chains and distribution networks for its products. In 2020, PETRONAS experienced demand reductions for some of its products, including jet fuel, diesel, gasoline and LPG, as a result of lower levels of economic activity, including lower take-up rates for commercial flights and heightened precautionary measures taken at public spaces and other measures to limit the spread of the virus. PETRONAS' efforts to staff its operations, in particular offshore operations, has been made more complex and expensive as a result of COVID-19 mitigation measures. These and similar restrictions in other countries have adversely impacted and are expected to continue to impact operations and economic conditions. In response to the COVID-19 outbreak, the Government of Malaysia implemented a movement control order, initially in effect from March 18 through May 12, 2020, which restricted international travel and the operations of schools, non-essential businesses and government offices. On January 12, 2021, amid the rise of COVID-19 cases in Malaysia, Malaysia's King, the Yang di-Pertuan Agong, declared a state of national emergency, which is intended to last until August 1, 2021, but which could be lifted earlier depending on developments relating to the COVID-19 pandemic. Various states and territories of Malaysia were also placed under movement control orders again. The magnitude and duration of the COVID-19 pandemic's impact will depend on future developments, including mutations of the virus and actions taken to contain and treat the disease, including vaccination campaigns which have recently begun in some jurisdictions. These developments, including the effectiveness and availability of vaccines, the ability of governments to roll out vaccines and the willingness of the population to be vaccinated, are all uncertain. The ongoing COVID-19 outbreak, or an outbreak of

any other communicable disease, could continue to result in a widespread health crisis, which has impacted and may further impact the broader economies of affected countries, including negatively impacting industrial activity, economic growth, the proper functioning of financial and capital markets, cost and access to capital, foreign currency exchange rates, and interest rates. Furthermore, the COVID-19 pandemic was one of the principal factors negatively affecting oil and gas prices in 2020, see “—*Substantial or extended declines in the prices of crude oil and related oil and gas products, or volatility in the prices of these products, may have a material adverse effect on PETRONAS’ business, results of operations and financial condition.*” Any of these events could have a material adverse effect on PETRONAS’ cash flows, business, financial condition, results of operations and prospects.

In addition, PETRONAS could be expected to contribute cash dividends and other resources to support Malaysia’s stimulus measures to revive the domestic economy. If the COVID-19 pandemic continues and conditions worsen, or if policies such as the state of emergency and movement control orders were to be extended as a result, PETRONAS expects to experience further reductions in consumer demand for its products and additional adverse impacts on its operational and commercial activities. These adverse impacts may be material. In addition, the recent decline in international crude oil and natural gas prices has reduced PETRONAS’ revenue; these reductions may continue and sustained declines in crude oil and natural gas prices have resulted in impairment losses and could result in additional impairment losses.

PETRONAS is subject to competition and volatility in the oil and gas industry landscape, which may weaken its profitability and competitiveness.

The global oil and gas industries are highly competitive and volatile and are subject to various risks and uncertainties. They are also subject to regulations and directives of national and local governments with respect to matters such as limitations on production volumes and exports, pricing policies, environmental protection controls and possible nationalization of assets, expropriation and cancellation of rights. PETRONAS is subject to all these risks as a result of its business activities, both in Malaysia and internationally. On the other hand, PETRONAS’ competitors, including major energy companies, may have greater financial, human, technical and other resources than PETRONAS, and may hence be in a better position to compete for future business opportunities. As customer needs become more complex and challenging, demanding more customized solutions, innovations and attractive offerings, PETRONAS also faces significant competition in the development of innovative products and solutions, including the development of new technologies for its core upstream, downstream, and gas and new energy businesses. In addition, other competitive sources of energy are expected to come into operation in the future, and the rapid development of unconventional resources and alternative energy sources also creates competition for the conventional energy industry. Accordingly, PETRONAS expects competition in the oil, gas, petrochemical and refining industries to increase, which could have a material adverse effect on its business, financial condition and results of operations.

PETRONAS operates in countries that have differing degrees of political, legal and fiscal stability. This exposes PETRONAS to a wide range of economic conditions and political developments as well as changes in applicable laws and regulations.

PETRONAS engages in significant operations outside Malaysia as well as its operations in Malaysia, including in a number of developing countries that have less predictable political, security and economic climates. As at January 1, 2021, 40.1% of PETRONAS’ discovered reserves and resources were outside Malaysia. For example, recent political developments in Myanmar required PETRONAS to take steps to ensure the safety of its employees and its contractors working offshore

Myanmar, which included relocation of some workers. PETRONAS' financial condition and results of operations are expected to be increasingly affected by international and local political, economic and operating conditions, including territorial or other conflicts, in or affecting countries where it operates, transacts business or has interests, including by possible recognition of impairment losses on assets located in these countries.

PETRONAS operates under a broad range of laws and governmental regulations, both in Malaysia and elsewhere. These laws and regulations cover virtually all aspects of PETRONAS' operations. Nationalistic economic policies and political trends and changes in countries where PETRONAS operates, such as opposition to globalization and free trade, trade restrictions, withdrawal from or re-negotiation of global trade agreements, tax and labor policies that favor domestic industries and interests, the exit of the United Kingdom from the European Union (known as Brexit), the distancing or potential exit of other countries from the European Union, the trade conflicts between the U.S. and China, and other similar actions, political and economic developments could result in changes to laws, regulations and government policies, including expropriation of property or cancellation or forced renegotiation of contract rights, that can affect PETRONAS' operations. PETRONAS cannot ensure that legal, regulatory, political or economic changes in the countries in which it operates will not have a material adverse effect on its business, results of operations or financial condition, including through the recognition of impairment losses.

PETRONAS is exposed to security threats that could adversely impact its business.

Acts of terrorism or other attacks against PETRONAS' production and exploration facilities, offices, pipelines, means of transportation or computer systems, or breaches of PETRONAS' security systems, could result in significant losses. Failure to manage these risks could result in injury or loss of life, damage to the environment, damage to or the destruction of wells and production facilities, ships, pipelines and other property and could result in regulatory action, legal liability, damage to PETRONAS' reputation, a significant reduction in revenues, an increase in costs, a shutdown of operations and a loss of its investments in affected areas and could have a material adverse effect on PETRONAS' financial condition and results of operations.

PETRONAS must make significant capital expenditures to maintain, among other things, its current extraction and production levels and to maintain or increase its reserve levels. Reductions in PETRONAS' income and inability to obtain financing may limit PETRONAS' ability to make capital investments.

PETRONAS' business is capital intensive. The exploration and development of oil and gas reserves, production, liquefaction, processing, refining and chemical manufacturing require substantial capital expenditures. PETRONAS must continue to invest significant capital to maintain the amounts of oil and gas that it produces and processes and to maintain or increase its levels of oil and gas reserves, both in Malaysia and internationally. In particular, PETRONAS will need to invest substantial capital to develop new oil and gas resources that are particularly challenging, such as ultra-deepwater resources and high CO₂ concentration gas reserves. PETRONAS also needs to fund the maintenance of its existing plants, machinery and equipment.

PETRONAS cannot provide the assurance that it will be able to maintain or increase its current levels of production, downstream, and gas and new energy business activities. Its inability to generate sufficient operating cash flow or raise sufficient external financing to fund its capital expenditure program may limit its ability to make the capital investments required to continue its business activities at or above present levels.

Unless PETRONAS discovers and develops more commercially exploitable oil and gas reserves and resources, its reserves and resources and its production will decline over time as its existing oil and gas reserves are depleted; changes in PETRONAS' upstream commercial arrangements may negatively affect its results of operations and make its historical results less predictive of future financial performance.

Production from oil and gas fields declines as reserves are depleted, with the rate of decline depending on reservoir characteristics and production levels. The level of PETRONAS' future oil and gas reserves and resources and production, and therefore its cash flows and income, are highly dependent on its success in efficiently developing current reserves, entering into new investment agreements and economically discovering or acquiring additional reserves. While PETRONAS has been successful in identifying and developing commercially exploitable deposits, it may be unable to replicate that success in the future. PETRONAS may not be able to identify sufficient commercially exploitable deposits or successfully discover, develop and produce more oil or gas, and the wells that it has drilled and currently plans to drill may not result in the discovery or production of additional oil or natural gas. If PETRONAS is unable to maintain or improve its production level, the value of its reserves will decrease, and its results of operations and financial condition could be negatively affected.

PETRONAS' cash flows and income from its upstream operations also depend on its commercial arrangements for developing its oil and gas resources, including its terms with its PSC Contractors and other counterparties, in particular for its operations in Malaysia. The terms of PETRONAS' PSC have changed over time, including to address changes in market dynamics, the nature of the fields being developed (including the age and geology of the relevant fields) and developments in technology, including PETRONAS' technical capabilities; see “*Business—Domestic E&P Operations—Production Sharing Contracts*” and “*Business—Domestic E&P Operations—Small Field Commercial Arrangements*.” In some cases PETRONAS chooses to fully rely on its own in-house PSC Contractors, while in some cases it involves new PSC Contractors. With regards to new PSC Contractors, their strategies, size and technical focus may differ from those that PETRONAS has previously worked with. Changes in PETRONAS' upstream commercial arrangements may negatively affect its results of operations, and these arrangements may make PETRONAS' historical results in this area less predictive of its future financial performance.

PETRONAS' business plans depend upon the successful execution of major projects in a timely manner, and failure to deliver major projects successfully could adversely affect PETRONAS' financial performance.

The success of PETRONAS' upstream, downstream, and gas and new energy businesses depends on complex, long-term, capital-intensive projects. Successful execution of these projects in turn requires a high degree of project management expertise and skilled employees to maximize efficiency by PETRONAS and, where applicable, its joint venture partners. Specific factors that can affect the performance of major projects include the ability to negotiate successfully with joint venture partners, governments, suppliers, customers, or others; optimize reservoir performance; develop markets for products; manage changes in operating conditions and costs; and respond effectively to unforeseen technical difficulties, including fires and industrial accidents, that could delay project start-up or cause unscheduled project downtime. Additionally, where PETRONAS is not the project operator, it may lack the ability to influence the performance of project operations. A failure by PETRONAS to manage these or other factors and to deliver major projects successfully could have a material adverse effect on its business, financial condition and results of operations.

PETRONAS' crude oil and natural gas discovered resource estimates involve some degree of uncertainty and may prove to be incorrect over time or may not accurately reflect actual discovered resource levels, or even if accurate, technical limitations may prevent it from retrieving these discovered reserves and resources.

Crude oil and natural gas exploration and production activities are subject to various uncertainties, including those relating to the physical characteristics of crude oil and natural gas fields. These physical characteristics, including the proportion of discovered reserves and resources that can ultimately be produced, the rate of production and the costs of developing the fields, are difficult to estimate, and as a result, actual production may be materially different from current estimates of discovered reserves and resources. Factors affecting PETRONAS' discovered resource estimates include: new production or drilling activities, field reviews, the addition of newly discovered reserves and resources from discoveries or extensions of existing fields and the application of improved recovery techniques and changed economic conditions (primarily oil and gas prices). As is customary among international energy companies, PETRONAS' discovered reserves and resources in Malaysia are estimated by PETRONAS and its PSC Contractors. Failure to replace or maintain discovered reserves and resources levels could result in lower future production, cash flows and income.

The reliability of discovered resource estimates depends on the quality and quantity of technical and economic data, the production performance of the fields and consistency in governmental oil and gas policies. The quantities of crude oil and natural gas that are ultimately recovered could be materially different from PETRONAS' discovered resource estimates, and downward revisions of its estimates could affect its results of operations and business plan. Furthermore, reserve estimates are based on economic assumptions, including those related to future prices of crude oil and natural gas. Accordingly, changes in prices and the outlook for future prices can significantly affect PETRONAS' reserve and estimates. Published discovered reserves and resources estimates may also be subject to revision due to changes in published rules and guidance.

PETRONAS invests significant amounts in the development of coal seam gas, shale gas and other unconventional resources. Shale gas, shale oil, tight-sand and coal bed methane projects become viable at relatively high oil and gas prices and as more advanced technology is developed to reduce the required capital investment. Commercially, oil and gas price risks are the critical factors affecting a project's viability. In addition, significant amounts of capital are required on drilling and completion programs, and rigs rates and prices of associated materials are also volatile depending on market conditions. Technical risks surrounding the discovered resource's estimation and production forecasts for all types of unconventional resources are very high due to geologic uncertainty, reservoir properties and limitations of current technology. De-risking efforts are undertaken by drilling many wells to acquire more data, applying new technology as and when it becomes available, in addition to engaging third parties to evaluate and certify the discovered resource valuation.

PETRONAS can give no assurance that the discovered reserves and resources estimates upon which it has made investment decisions accurately reflect the actual discovered resource levels, or even if accurate, that technical limitations or market developments will not prevent it from retrieving these discovered reserves and resources.

PETRONAS' future performance depends on the successful development and deployment of new technologies and new products.

Technology and innovation are essential for PETRONAS to remain competitive and to develop resources. For example, PETRONAS expects to increasingly rely on challenging fields that will

require it to deploy advanced technologies, such as CO₂ separation and sequestration, to develop them. It also expects to rely on new and developing technologies as it expands its new energy portfolio. If PETRONAS does not develop the right technology and products, does not have access to such technology and products or does not deploy these effectively, there could be a material adverse effect on its ability to execute its strategies. PETRONAS operates in environments where advanced technologies are required. In developing new technologies and new products, unknown or unforeseeable technological failures or environmental and health effects could harm PETRONAS' reputation or expose it to litigation or regulatory actions. The associated costs of new technology are sometimes underestimated, or delays occur. If PETRONAS is unable to develop the right technologies and products in a timely and cost-effective manner, or if it inadvertently develops technologies and products that adversely affect the environment or health of individuals, there could be a material adverse effect on its earnings, cash flows and financial condition.

PETRONAS is subject to critical laws and regulations such as international sanctions, antitrust, anti-bribery, anti-corruption, anti-money laundering and data protection laws that carry significant fines and expose PETRONAS and/or its employees to criminal sanctions and civil suits.

Investing in certain countries and engaging in dealings with or involving certain countries, entities and individuals could result in adverse consequences to PETRONAS under existing or future trade or investment sanctions. The effect of any such sanctions would depend on their nature, but if sanctions were imposed on PETRONAS, or one of its subsidiaries or associated companies, it could affect the market for the Notes or the securities of that company or impair PETRONAS' ability to access the U.S. capital markets and other international financing. In addition, antitrust, anti-bribery, anti-corruption, anti-money laundering and data protection laws apply to PETRONAS and its joint ventures and associates in the vast majority of countries in which they operate. Failure to comply with these laws could expose PETRONAS to regulatory investigations which may result in fines and penalties. Violation of these laws is also a criminal offence in certain countries, and individuals may either be imprisoned or fined. Furthermore, any violation by PETRONAS of applicable and relevant international sanctions, anti-bribery, anti-corruption and anti-money laundering legislation could have a material adverse effect on its reputation, business, financial condition and results of operations.

PETRONAS' compliance with environmental regulations in Malaysia, Canada and in the other countries in which it operates could materially adversely affect its results of operations.

PETRONAS is subject to various environmental laws and regulations concerning land use, GHG emissions, air emissions, discharges to waters, waste materials and decommissioning and abandonment of installations in connection with the design and operation of its upstream and downstream oil and gas facilities in Malaysia, its subsidiaries' exploration, development and production activities in Canada, and the other countries in which PETRONAS operates, transacts business or has interests. Numerous government agencies and departments issue environmental rules and regulations, which are often difficult and costly to comply with and which carry substantial penalties for non-compliance. Accordingly, PETRONAS can give no assurance that it will not be subject to stricter enforcement or interpretation of existing environmental laws and regulations, or that such laws and regulations will not become more stringent in the future.

Energy companies around the world are periodically subject to adverse effects from unfavorable market perceptions of the environmental impact of their operations. Given the anticipated regulatory developments such as the implementation of the Environmental Quality (Clean Air) Regulation 2014 in Malaysia and the Greenhouse Gas Pollution Pricing Act (the "GGPPA") passed by Canada in 2018, as well as the possibility of unanticipated regulatory or other

developments, including more stringent environmental laws and regulations, the amount and timing of future environmental compliance expenditures could increase substantially from their current levels. As an increasing portion of PETRONAS' capital expenditures are targeted on investment in renewable energy projects, as well as to fund research and development to develop environment-friendly technologies, these changes could limit the availability of PETRONAS' funds for other purposes. PETRONAS cannot predict what additional environmental legislation or regulations will be enacted in the future relating to, for example, climate change and extraction methods used for unconventional assets or the potential effects on its financial position and results of operations. PETRONAS' subsidiaries have incurred and expect to continue to incur capital and operating expenditures to comply with applicable environmental laws and regulations. Changes in foreign environmental laws and regulations, or their interpretation, may require these subsidiaries to incur significant unforeseen expenditures to comply with such requirements, which could have an adverse effect on PETRONAS' business, financial condition and results of operations.

Rising climate change concerns have led and could lead to increased focus on transitioning to a lower carbon economy and additional legal and/or regulatory measures that could result in project delays or cancellations, a decrease in demand for fossil fuels, potential litigation and additional compliance obligations.

The Paris Agreement, which was signed in 2015, has been ratified or acceded to by 188 states (including Malaysia) and the European Union as of January 1, 2021 and re-entered into force for the U.S. on February 19, 2021, aims to limit increases in global temperatures to well below two degrees Celsius above pre-industrial levels. As a result of this and other agreements and government actions, PETRONAS expects continued and increased attention to climate change from all facets of society. This attention has led, and PETRONAS expects it to continue to lead, to additional regulations designed to reduce GHG emissions and the transition to a lower carbon economy.

PETRONAS expects that a growing share of its GHG emissions will be subject to regulation, resulting in increased compliance costs and operational restrictions. For example, the output-based pricing system implemented by the Government of Canada under the GGPPA could potentially result in substantial carbon trading-related costs on PETRONAS' Canadian operations. If PETRONAS' GHG emissions rise alongside its ambitions to increase the scale of its business, its regulatory burden will increase proportionally. PETRONAS also expects that GHG regulation, as well as emission reduction actions by customers, will continue to focus more on suppressing demand for fossil fuels, either through taxes, fees, incentives to promote the sale of electric vehicles or even through the future prohibition of sales of new diesel or gasoline vehicles, as have recently been enacted by several countries. PETRONAS also expects consumers and other market participants to insist on a transition to a lower carbon economy, which may drive the development of alternative energy sources, and make these alternatives more economically attractive. These and other measures to limit GHG emissions could result in lower demand for many of PETRONAS' products, which could lead to lower revenue and, in the long term, potential impairment of its oil and gas assets, as they may no longer be economically viable for development or operation. PETRONAS is planning to deploy carbon capture and other developing technologies to limit its GHG emissions, but these technologies are new and they may prove to be less effective or more expensive than anticipated.

Additionally, some groups are pressuring certain investors to divest their investments in oil and gas companies. If this were to continue, it could have a material adverse effect on the price of PETRONAS' securities, including the Notes, and its ability to access the international capital markets. The World Bank announced that it will no longer finance upstream oil and gas projects. Similarly, according to press reports, other development organizations and financial institutions also appear to be considering limiting their exposure to certain oil and gas projects. Accordingly,

PETRONAS' ability to obtain financing for future projects may be adversely impacted. This could also adversely affect PETRONAS' potential partners' abilities to finance their portion of costs, either through equity or debt.

In addition, the physical effects of climate change, such as extreme weather events, rises in temperatures and sea-levels and fluctuations in water levels, could adversely impact both PETRONAS' operations and supply chains.

If PETRONAS is unable to find economically viable and publicly acceptable solutions that reduce its GHG emissions and/or GHG intensity for new and existing projects or for the products it sells, it could experience additional costs or financial penalties, delayed or cancelled projects, and/or reduced production and reduced demand for its products, which could have a material adverse effect on its earnings, cash flows and financial condition.

PETRONAS' expansion into the new energy market may expose it to different and additional risks than the oil and gas industry.

Historically, PETRONAS' main business focused on the oil and gas industry. In recent years, PETRONAS has increased its investment in, and its management's attention on, renewable energy projects, including providing solar and wind power to commercial, industrial and utility customers in Malaysia and internationally. These projects usually require PETRONAS to make significant up-front payments for, among other things, land rights and facility construction, and revenue from these projects may not be recognized for a long time following contract signing. Any inability or significant delays in entering into sales contracts with customers after making such up-front payments could adversely affect PETRONAS' business and results of operations and constrain its ability to simultaneously fund other business operations and invest in other projects.

Moreover, PETRONAS' expansion into the new energy market may expose it to a variety of risks that PETRONAS may not have sufficient expertise, experience or qualified personnel to deal with, such as the intense market competition from business models and companies that PETRONAS is unfamiliar with, evolving regulations and policies in different jurisdictions, insufficient demand for power generated from new energy projects, rapid technological advancements, as well as the failure of its power generation and delivery facilities. Any of these types of events could divert the attention of PETRONAS' management and adversely affect PETRONAS' business operations, results of operations or financial condition. PETRONAS' revenue and liquidity may also be adversely affected to the extent the market for new energy projects weakens or that PETRONAS is unable to successfully meet customer expectations due to technical difficulties, equipment failure, or adverse weather, or is unable to sell the energy generated from new energy projects at prices and on terms and timing that are acceptable to PETRONAS.

Increased concerns regarding the safe use of products that PETRONAS produces and their potential impact on the environment have resulted in more restrictive regulations and could lead to new regulations.

Concerns regarding products that PETRONAS produces, including various oil and gas products, chemicals and plastics, including their safe use and potential impact on the environment, reflect a growing trend in societal demands for increasing levels of product safety, environmental protection, transition to a lower carbon economy and recycling. These concerns have led to more restrictive regulations and could lead to new regulations. These could also result in delays or failures in obtaining or retaining regulatory approvals, increased costs related to complying with more restrictive regulations, delayed product launches, lack of market acceptance, lower sales volumes or

discontinuance of various products, continued pressure for more stringent regulatory intervention and increased litigation. These consequences could also have an adverse effect on PETRONAS' business, financial position, results of operations and reputation.

PETRONAS is exposed to exploration, development, production, project, equipment, distribution, transportation and storage risks that could interrupt its operations and result in substantial potential liability for which PETRONAS may not be fully insured.

PETRONAS is subject to several risks that are common among oil and gas companies. These risks include exploration, development and production risks (fluctuations in production may be affected by reserve levels, operational hazards, work stoppages, natural disasters or weather, accidents, etc.), project risks (relating to management of third party contractors and accidents), equipment risks (relating to the adequacy and condition of PETRONAS' facilities and equipment), distribution and transportation risks (relating to the condition and vulnerability of pipelines and other modes of transportation, such as oil and LNG tankers) and storage risks (relating to the operation and condition of tanks and other storage facilities). More specifically, PETRONAS' business is subject to the risks of explosions in pipelines (oil and gas), refineries, plants, drilling wells and other facilities; typhoons and other natural or geological disasters; fires, accidents and mechanical failures; suspension of refinery and/or plant operations for scheduled and unscheduled maintenance and repairs; oil spills and leaks; unexpected geological formations or pressures resulting in blow-outs (sudden, violent explosions of oil, natural gas or water from a drilling well, followed by an uncontrolled flow from the well) or cratering (the caving in and collapse of the earth's structure around a blow-out well); mechanical failures and collapsed holes, particularly in horizontal well bores. Partly as a result of these risks and other concerns among certain groups, PETRONAS, like other oil and gas companies, faces risks associated with protests and other mass actions.

As an example of the types of risks that can affect PETRONAS in the industries in which it operates, on March 15, 2020 an explosion and fire occurred at the PETRONAS' refinery joint venture company within RAPID, which was undergoing initial operational activities, that resulted in injuries, fatalities and damages to the refinery's diesel hydro-treating facility. Operations at the refinery joint venture were shut down to allow for a thorough investigation of the incident and operations at the petrochemical joint venture were also shut down as part of an effort to assess operational issues and plan for an integrated restart of both the refinery and the petrochemical facility. PETRONAS' joint venture petrochemical complex is expected to rely on the refinery joint venture for feedstock. The refinery and petrochemical complex are expected to commence commercial operations later in 2021. Furthermore, a fire incident at PETRONAS' Engen refinery in Durban, South Africa on December 4, 2020 required a shutdown of that facility, which is continuing.

The occurrence of any of these events or other accidents connected with production, processing and transporting PETRONAS' products could result in personal injuries, loss of life, environmental damage with the resulting containment, clean-up and repair expenses, equipment damage and damage to PETRONAS' facilities. A shutdown of the affected facilities could disrupt PETRONAS' production and significantly increase its production costs.

Although PETRONAS has purchased insurance policies covering some of the risks discussed above, these policies may not cover all liabilities, and insurance may not be available for all risks or on commercially reasonable terms. There can be no assurance that accidents will not occur in the future, that insurance will adequately cover the entire scope or extent of PETRONAS' losses or that it may not be found directly liable in connection with claims arising from these and other events. PETRONAS' operations could also be subject to disruptions as a result of protests and other mass

actions. The occurrence of any of these events not fully covered by insurance could have a material adverse effect on PETRONAS' financial condition and results of operations.

PETRONAS' investment in joint ventures and associated companies may reduce its degree of control as well as its ability to identify and manage risks.

Many of PETRONAS' major projects and operations are conducted through joint ventures or associated companies. In some of its joint ventures, PETRONAS may have limited influence over and control of the behavior, performance and cost of operations in which a PETRONAS company holds an equity interest. Additionally, its partners or members of a joint venture or associated company (particularly local partners in developing countries) may not be able to meet their financial or other obligations to the projects, potentially resulting in legal liability or significant delays in operations and ultimately threatening the viability of a given project. Many of PETRONAS' major projects are developed over long periods of time, and the interests of joint venture partners may diverge as a result of changes in market conditions, strategy or due to operational issues, and any such developments could result in renegotiation of joint venture terms, changes in ownership interests or partners exiting from joint ventures. Any of these factors could cause PETRONAS' major projects to be less successful than originally anticipated, negatively affect PETRONAS' results of operations, cash flow, financial condition and business prospects and increase its capital expenditure requirements.

Developments in the economic environment and in the oil and gas industry and other factors have resulted, and may result, in PETRONAS incurring substantial impairment losses, which would negatively affect PETRONAS' earnings and financial position.

PETRONAS may be required to record non-cash impairment losses on its assets, primarily including its resources and reserves and property, plant and equipment, to the extent that the carrying value of any of these assets exceeds its recoverable amount. Events or changes in circumstances, including the realization of certain of the risks outlined in this Offering Circular, may require PETRONAS' management to assess or re-evaluate the recoverability of the carrying value of its assets. These types of events or changes may include substantial or extended declines in the prices of crude oil and related oil and gas products, a lower oil and natural gas price outlook, a significant decrease in the market value of PETRONAS' assets, or significant changes in the economic conditions, business climate, political developments and other changes in applicable laws and regulations in the jurisdictions where PETRONAS operates. In arriving at its impairment loss amounts, PETRONAS uses a range of long-term assumptions including prices, volume, costs, growth rates and discount rates. An impairment loss is reversed, which is recorded as an impairment write-back, 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 amortization, if no impairment loss had been recognized. In 2019, PETRONAS recognized net impairment losses of RM7,151 million, which was largely attributable to lower price outlook on certain assets, particularly those in Australia, Azerbaijan and Chad. In 2020, PETRONAS recognized net impairment losses of RM32,681 million, which was primarily due to the severe decline in oil prices in early 2020 and the continued low demand resulting from the COVID-19 pandemic, which affected certain of PETRONAS' assets, particularly those in Australia, Canada, Azerbaijan, Chad, Oman, South Sudan as well as Malaysia. Substantial impairment losses would negatively affect PETRONAS' earnings and financial position.

A global or regional financial crisis and unfavorable credit and market conditions may negatively affect PETRONAS' liquidity, customers, business, and results of operations.

The effects of a global or regional financial crisis and related turmoil in the global financial system, which is likely to be more severe in emerging market economies like Malaysia, may have a negative impact on PETRONAS' business, financial condition and results of operations.

The effects of an economic crisis on PETRONAS and its customers cannot be predicted. Weak global and domestic economic conditions could lead to reduced demand or lower prices for oil and gas and related products and petrochemicals, which could have a negative effect on PETRONAS' revenues. Economic factors such as unemployment, inflation and the unavailability of credit could also have a material adverse effect on the demand for energy and, therefore, on PETRONAS' business financial condition and results of operations.

The global economic crisis that began in the fourth quarter of 2008, triggering an international stock market crash and the insolvency of major financial institutions, limited the ability of companies in emerging market economies to access international financial markets as they had in the past or made such access significantly more costly. A similar global or regional financial crisis could limit PETRONAS' ability to access credit or the capital markets at a time when it requires financing, thereby impairing its flexibility to react to changing economic and business conditions. In addition, emerging markets became distressed beginning in the second quarter of 2018 as a result of a rise in interest rates by the US Federal Reserve and they were further affected by the trade war between the United States and China. Any of the foregoing or similar factors or events could together or independently have an adverse effect on PETRONAS' results of operations and financial condition.

Failures in the information technology systems, data and cyber security, or telecommunications systems can adversely impact PETRONAS' operations and reputation.

PETRONAS' operations depend on information technology and communications systems and services. Interruptions or malfunctions affecting these systems and/or their infrastructure, as a result of obsolescence, technical failures, natural disasters, and/or human errors and sabotage, may harm or disrupt its business and adversely affect PETRONAS' operations and reputation.

Moreover, cybersecurity and information security failures, either due to external acts, such as malware, cyber-espionage, cyber-attacks and cyber-terrorism; or internal ones, such as negligence or misuse by employees or PETRONAS' partners, may also adversely impact PETRONAS' reputation, relationships with its stakeholders, strategic and competitive positioning, as well as its operational results. Additionally, authorized third-party information technology systems could be compromised and used to gain access or introduce malware to PETRONAS' systems during the normal course of business. PETRONAS has limited control and visibility over such third-party's systems. These types of cyber events could subject PETRONAS to legal consequences from the relevant jurisdictions, resulting in significant financial losses, legal or regulatory violations, reputational harm, and legal liability, which could adversely affect the company's reputation, business and results of operations.

Unfavorable results of legal proceedings could harm PETRONAS' business and result in substantial costs.

PETRONAS is subject to various claims, suits and legal proceedings that arise from time to time. Additional legal claims or regulatory matters may arise and could involve shareholder, labor, intellectual property, tax and other matters. Disputes and legal proceedings in which PETRONAS may be involved are subject to many uncertainties, and their outcomes are often difficult to predict.

The defense of any such claims and any associated settlement costs can be substantial, even with respect to claims that have no merit. In addition, adverse judgments arising from litigation could result in restrictions or limitations on PETRONAS' operations or result in a material adverse impact on its reputation or financial condition.

Due to the inherent uncertainty of the litigation and dispute resolution process, there is no assurance that the resolution of any particular legal proceeding or dispute will not have a material adverse effect on PETRONAS' business operations, future cash flow, results of operations or financial condition.

PETRONAS could be adversely affected by the actions of the governments of Malaysian states.

On December 7, 2020, PETRONAS and the Sarawak State Government entered into a commercial settlement agreement ("CSA") reflecting their agreement on issues relating to Sarawak's imposition of the Sarawak Sales Tax Ordinance 1998 ("SST") and certain other oil and gas matters that they had been negotiating. In 2018 Sarawak amended the SST to apply sales tax at a rate of 5% on certain transactions in prescribed petroleum products delivered out of Sarawak to which the tax previously did not apply. Although PETRONAS and the State of Sarawak previously had litigation pending regarding the application of the SST to PETRONAS, as part of the parties' efforts to reach an agreement, PETRONAS and the Sarawak State Government subsequently withdrew their respective pending actions in court, and on September 17, 2020, PETRONAS paid RM2,957 million in settlement of its SST obligations for 2019 and committed to pay SST moving forward based on the relevant assessments by the State of Sarawak. In addition to Sarawak's imposition of the SST, the State of Sabah announced that it is imposing a sales tax on prescribed petroleum products effective April 1, 2020. PETRONAS and the State of Sabah have been discussing the implementation of this sales tax, in terms of both the calculation and the mechanism for payments. PETRONAS has been accruing this tax to the State of Sabah from April 1, 2020.

The CSA, in addition to recording the parties' agreement on the application of the SST to PETRONAS, also provides for Sarawak's more active involvement in the oil and gas industry in the state, the management of Sarawak's onshore oil and gas resources by Petroleum Sarawak Berhad ("PETROS") (an oil and gas company owned by the State of Sarawak), and participation rights by a PETROS subsidiary in certain PSCs in areas off the coast of Sarawak, offshore Malaysia. The CSA also provides for a consultative framework under which the parties can jointly consult on matters in the oil and gas industry, including those that affect the State of Sarawak's interests. For additional details, see "*Management Discussion and Analysis—Factors Affecting Results of Operations—Settlement Agreement with Sarawak and New Sabah Sales Tax.*"

Although PETRONAS believes that the CSA will help to provide for a stable, conducive business and investment environment in Sarawak's oil and gas industry, there is still some uncertainty as to how the agreement will be implemented. Furthermore, there is uncertainty as to how the new sales tax on petroleum products by the State of Sabah will be applied to PETRONAS and its operations. Various issues, including those regarding jurisdiction over offshore waters, state-level regulation of the oil and gas industry, taxation and labor regulations, could all adversely affect PETRONAS' relations with Sarawak and Sabah. Disagreements with Malaysian states in which PETRONAS operates could result in litigation or disputes, and prolonged disputes with these states could result in delays in the implementation of PETRONAS' business plan or disruptions in PETRONAS' operations. Furthermore, there is no assurance that these discussions will be resolved in ways that will not adversely affect PETRONAS' operations and oil and gas exploration activities in Malaysia or otherwise have a material adverse effect on PETRONAS' business operations, future cash flow, results of operations or financial condition.

PETRONAS seeks to optimize its asset portfolio; transactions it takes in managing this portfolio may not always have the effects that it intends or may otherwise be unsuccessful.

PETRONAS seeks to optimize the value of its portfolio of assets, which includes assets that it holds directly, its interests in subsidiaries (including six companies listed on Bursa Malaysia, out of which four are direct subsidiaries and two are indirect subsidiaries) and those subsidiaries' assets, and its interests in joint ventures and affiliates. Although PETRONAS intends to maintain control of subsidiaries and other assets related to its core oil and gas business, transactions to manage its portfolio could include divestments of assets and sales of shares in its publicly listed or other subsidiaries, including through possible listings of its non-listed subsidiaries. Divestments by PETRONAS of its interests in its subsidiaries could result in those entities ceasing to be consolidated as subsidiaries in PETRONAS' consolidated financial statements, which could substantially affect its results of operations, financial position and cash flows. PETRONAS' efforts to optimize its asset portfolio may not always have the effects that it intends, and they could result in lower margins or loss of value. Such transactions could also result in PETRONAS being exposed to additional risks or liabilities, place additional demands on management time and other resources, or be unsuccessful due to market conditions or other transaction execution problems. Accordingly, PETRONAS' efforts to optimize its asset portfolio could have a material adverse effect on its earnings, cash flows and financial condition.

Risks Relating to Malaysia

PETRONAS is wholly owned by the Government of Malaysia, which may intervene in PETRONAS' operations.

The Government of Malaysia is the sole shareholder of PETRONAS. As the sole shareholder, it controls the approval of all corporate matters requiring a shareholder resolution under the Malaysian Companies Act 2016, including, but not limited to, the approval of dividends and the appointment of directors. However, the repayment obligations under the Notes remain the sole obligation of the Issuer, and the ownership and control of PETRONAS by the Government of Malaysia do not correlate to, or provide any assurance as to, PETRONAS' financial condition. PETRONAS' financing obligations, including its obligations under the Guarantees, do not constitute obligations of, and are not guaranteed by, the Government of Malaysia. In addition, under the Petroleum Development Act of 1974, PETRONAS is subject to the control and direction of the Prime Minister of Malaysia, who may from time to time issue such direction to PETRONAS as he may deem fit. Malaysia's current Prime Minister is Muhyiddin Yassin, who was appointed on February 29, 2020 by the King following the resignation of the previous Prime Minister on February 24, 2020. Prime Minister Muhyiddin's appointment by the King was based on the King's powers under the Federal Constitution of Malaysia to appoint whoever in the King's judgment commands the support of a majority of members of the Dewan Rakyat, the lower house of the Parliament of Malaysia. On January 12, 2021, the King, at the request of Prime Minister Muhyiddin, declared a state of emergency as part of the country's efforts to contain COVID-19. The state of emergency is intended to be in place until August 1, 2021, but could be lifted earlier, depending on developments relating to the COVID-19 pandemic. As a result of this declaration, parliament and state legislatures will not sit and national and state elections may not be held until the state of emergency is lifted. Through its position as sole shareholder and the Prime Minister's powers under the Petroleum Development Act of 1974, the Government of Malaysia has the power to intervene directly or indirectly in PETRONAS' commercial and operational affairs.

Although the relationship between PETRONAS and the Government of Malaysia to date has generally been commercially oriented, there can be no assurance that the Government of Malaysia

will not intervene in the commercial affairs of PETRONAS in a manner that would have a material adverse effect on PETRONAS.

Ongoing maritime boundaries delimitation in Malaysia could affect PETRONAS' operations and exploration activities offshore Malaysia.

Malaysia shares maritime boundaries with a number of countries including Brunei, Thailand, Indonesia, the Philippines, Singapore and Vietnam.

While some of Malaysia's maritime boundaries have been delimited, a number of these boundaries have yet to be, including disputed areas believed to contain substantial unexplored oil and gas resources in the Celebes Sea and the South China Sea, where countries have overlapping territorial claims. Malaysia and the relevant countries, including Indonesia and China, have been conducting discussions to resolve the delimitation of maritime boundaries applying relevant principles of international law, including the 1982 United Nations Convention on the Law of the Sea. These discussions are conducted both on a bilateral basis as well as through initiatives advanced through ASEAN. In December 2019, Malaysia submitted a claim to the U.N. to increase Malaysia's continental shelf beyond the standard 200 nautical miles. China has objected to these claims because they fall within the "nine-dash line" area in the South China Sea claimed by China, a position Malaysia has rejected in a subsequent submission.

There can be no assurance that Malaysia's maritime boundaries can be delimited through peaceful means or at all, and these disputes could affect PETRONAS' operations and oil & gas exploration activities in Malaysia, particularly in the Celebes Sea and the South China Sea, including by discouraging PSC Contractors from bidding on offshore areas subject to disputes.

Changes in the exchange rate between the U.S. dollar and the Malaysian ringgit could have a negative impact on PETRONAS' results of operations and financial condition.

Most of PETRONAS' revenue and costs are denominated in U.S. dollars, although a portion of PETRONAS' revenue and expenses are denominated in ringgit. Accordingly, changes in the U.S. dollar to ringgit exchange rate could have an adverse impact on PETRONAS' results of operations and financial condition, including as a result of translation adjustments in converting U.S. dollar amounts to ringgit for financial statement purposes. In addition, as a global company doing business in many countries, PETRONAS is also exposed to changes in the value of other currencies.

Risks Relating to Canada

PETRONAS' assets in Canada may be subject to aboriginal claims and treaty rights.

In Western Canada, where PETRONAS' Canadian operations and joint ventures are located, aboriginal groups have filed claims in respect of aboriginal title and rights in certain areas against the governments of Canada, Alberta and British Columbia, and certain government bodies. In particular, portions of PETRONAS' Canadian gas production fields and the Coastal GasLink pipeline that connects PETRONAS' Canadian gas production fields to the future LNG Canada export facility have been subject to challenge and protests from aboriginal groups. No certainty exists that any lands currently unaffected by claims brought by aboriginal groups will remain unaffected by future claims. If a claim arose and was successful, such claim may affect PETRONAS' ability to obtain approvals on a timely basis, or at all, and dependent on the nature of the claim, may have a material adverse effect on PETRONAS' business, financial condition and results of operations. In addition,

due to traditional land claims and treaty rights, aboriginal consultation on surface activities is required and may result in timing uncertainties or delays of future development activities, which, if significant, could have a material adverse effect on the development of PETRONAS' affected assets.

Risk Related to the Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Program. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain of such features.

The Notes may be subject to optional redemption by the Issuer.

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The Issuer may issue Dual Currency Notes.

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected; and
- they may lose all or a substantial portion of their principal.

The Issuer may issue Partly Paid Notes.

The Issuer may issue Notes where the issue price is payable in more than one installment. Failure to pay any subsequent installment could result in an investor losing all of its investment.

The Issuer may issue variable rate Notes with a multiplier or other leverage factor.

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes.

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of these Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes.

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favorable than prevailing spreads on comparable floating rate notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

The investment in the Notes is subject to interest rate risks.

The Notes may carry a fixed or variable interest rate, or a combination of fixed and variable interest rates. Where the issuance carries a variable interest rate, the investor of the Notes should be aware of the variability in the coupon payments at each interval period due to the interest rate volatility of short term interest rates.

Notes may be issued at a substantial discount or premium.

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Perpetual Notes may be issued for which investors have no right to require redemption.

Any perpetual Notes issued under the Program are perpetual and have no fixed final maturity date. Holders of perpetual Notes have no right to require the Issuer to redeem perpetual Notes at any time, and an investor who acquires perpetual Notes may only dispose of such perpetual Notes by sale. Holders of perpetual Notes who wish to sell their perpetual Notes may be unable to do so at a price at or above the amount they have paid for them, or at all. Therefore, holders of perpetual Notes should be aware that they may be required to bear the financial risks of an investment in perpetual Notes for an indefinite period of time.

The regulation and reform of “benchmarks” may adversely affect the value of Notes linked to such “benchmarks”.

Interest rates and indices which are deemed to be “benchmarks” (including the LIBOR and the EURIBOR) are the subject of national and international regulatory guidance and proposals for

reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or to have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

Regulation (EU) 2016/1011 (the “**Benchmarks Regulation**”) was published in the Official Journal of the EU on June 29, 2016 and mostly applies, subject to certain transitional provisions, from January 1, 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorized or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognized or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorized or registered (or, if non-EU-based, not deemed equivalent or recognized or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark. More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. On July 27, 2017, and in a subsequent speech by its Chief Executive on July 12, 2018, the UK Financial Conduct Authority (“**FCA**”) confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “**FCA Announcements**”). The FCA Announcements indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

In addition, on November 29, 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (“**SONIA**”) over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

Separate work streams are also underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On September 13, 2018, the working group on euro risk-free rates recommended Euro Short-term Rate (“**ESTR**”) as the new risk free rate. ESTR was published by the ECB for the first time on October 2, 2019, reflecting trading activity on October 1, 2019. In addition, on January 21, 2019, the euro risk free-rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system.

It is not possible to predict with certainty whether, and to what extent, LIBOR, EURIBOR or any other -IBOR will continue to be supported going forward. This may cause LIBOR, EURIBOR or any other -IBOR to perform differently than they have done in the past, and may have other

consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Conditions provide for certain fallback arrangements in the event that a Benchmark Event (as defined in the Conditions) occurs, including if a Reference Rate (as defined in the Conditions) ceases to be published for a period of at least five Business Days (as defined in the Conditions) or ceases to exist, or it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using such Reference Rate. Such fallback arrangements include the possibility that the Rate of Interest (as defined in the Conditions) could be set by reference to a Successor Rate or an Alternative Reference Rate (both as defined in the Conditions), with or without the application of an adjustment spread and may include amendments to the Conditions to ensure the proper operation of the successor or replacement benchmark, the Independent Adviser (as defined in the Conditions) or the Issuer (as applicable) may also specify changes to the Conditions in order to follow market practice in relation to the Successor Rate or the Alternative Reference Rate (as applicable). An adjustment spread, if applied, could be positive or negative and would be applied with a view to reducing or eliminating, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of an Original Reference Rate (as defined in the Conditions). However, it may not be possible to determine or apply an adjustment spread and, even if an adjustment is applied, such adjustment spread may not be effective to reduce or eliminate economic prejudice to investors. If no adjustment spread can be determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Rate of Interest. The use of a Successor Rate or Alternative Reference Rate (including with the application of an adjustment spread) will still result in any Notes linked to or referencing an Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Original Reference Rate were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Reference Rate is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, the involvement of an Independent Adviser and the potential for further regulatory developments, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any of the international or national reforms in making any investment decision with respect to any Notes referencing a benchmark.

Enforcement in Malaysian courts of a judgment of a United States court in respect of the Notes and the Guarantees may be subject to uncertainty.

Substantially all of the assets of PETRONAS Capital Limited and a significant part of the assets of PETRONAS are located in Malaysia. In addition, all of the directors and executive officers of PETRONAS and PETRONAS Capital Limited are located in Malaysia and all or a substantial portion of the assets of such persons are located in Malaysia. Under current Malaysian law, any

judgment obtained for a fixed sum against PETRONAS or PETRONAS Capital Limited in a court of a foreign jurisdiction with which Malaysia has no arrangement for reciprocal enforcement of judgments, after due service of process, may, at the discretion of the courts of Malaysia be actionable in the courts of Malaysia by way of a suit on a debt if such judgment is final and conclusive. However, such action may be met with defenses. There is currently no agreement for reciprocal enforcement of judgments between Malaysia and the United States, and as such the United States is not a reciprocating country under the First Schedule of the Enforcement Act and the Enforcement Act does not apply to judgments obtained in the United States. Accordingly, even if a United States court were to rule in an investor's favor, it may be difficult to enforce such judgments in Malaysia. Due to the absence of reciprocal arrangements, judgments obtained in a United States court will only be enforced in Malaysia in accordance with the common law principles and fresh proceedings must be instituted by the judgment creditor and upon re-litigation and re-examination of the issues.

In addition, where the sum payable under a judgment which is to be registered is expressed in a currency other than the ringgit, the judgment will be registered as if it were a judgment for such sum in the ringgit as would be equivalent to the sum so payable on the basis of the rate of exchange prevailing at the date of the judgment of the original court.

Enforcement outside of Canada in respect of the Notes and the Guarantees may be subject to uncertainty.

PETRONAS is incorporated in Malaysia with limited liability. PETRONAS Capital Limited is incorporated in Labuan, Malaysia with limited liability. The Notes and the Guarantees will be governed by the law of the State of New York. In addition, all of the directors and executive officers of PETRONAS and PETRONAS Capital Limited, and some of the directors and executive officers of PETRONAS Energy Canada Ltd., are located in Malaysia and, as a result, it may not be possible for Canadian investors to effect service of process within Canada upon PETRONAS, PETRONAS Capital Limited or such persons. Substantially all of the assets of PETRONAS Capital Limited and a significant part of the assets of PETRONAS are located in Malaysia and, as a result, it may not be possible to satisfy a judgment against PETRONAS, PETRONAS Capital Limited or such persons in Canada or to enforce a judgment obtained in Canadian courts against PETRONAS, PETRONAS Capital Limited or such persons outside of Canada.

Enforcement in Canadian courts of a foreign judgment in respect of the Notes and the Guarantees may be subject to uncertainty.

PETRONAS Energy Canada Ltd. is incorporated under the laws of the Province of Alberta, Canada. The Notes and the Guarantees will be governed by, and construed in accordance with, the laws of the State of New York, United States. In addition, some of the directors and executive officers of PETRONAS Energy Canada Ltd. are located in Canada and, as a result, it may not be possible for investors outside of Canada to effect service of process in Canada upon PETRONAS Energy Canada Ltd. or such persons or to enforce in Canada judgments obtained against PETRONAS Energy Canada Ltd. or such persons in courts outside of Canada.

Risks Relating to the Notes

PETRONAS Capital Limited is, and any new Issuer may be, a special purpose vehicle with no business activities of its own and will be dependent on funds from the Guarantor to make payments under the Notes.

PETRONAS Capital Limited is, and any new Issuer may be, a financing vehicle for the Guarantor and has no other operations nor any subsidiaries (a “FinCo Issuer”). Unless otherwise

stated in the applicable Pricing Supplement, any FinCo Issuer will provide substantially all proceeds of its borrowings to the Guarantor or its subsidiaries and associated companies. Any FinCo Issuer does not and will not have any material assets but it will receive repayments from the Guarantor and/or its subsidiaries in respect of loans made by such FinCo. As a result, any FinCo Issuer is subject to all the risks to which the Guarantor is subject, to the extent that such risks could limit their ability to satisfy in full and on a timely basis their respective obligations to such FinCo Issuer under any such loans.

The ratings of the Notes may be lowered, suspended or withdrawn; changes in such credit ratings or the credit ratings of PETRONAS may adversely affect the value of the Notes.

The Notes are expected to be assigned a rating of A2 by Moody's and A- by S&P. Ratings are limited in scope, and do not address all material risks relating to an investment in the Notes, but rather reflect only the view of each rating agency at the time the rating is issued. PETRONAS' credit ratings may also adversely affect the value of the Notes. PETRONAS' credit ratings are impacted by its business performance and leverage and other factors such as the prevailing world price of oil and Malaysian domestic energy prices for gas, environmental and regulatory developments and other factors beyond its control. PETRONAS' credit ratings are capped by Malaysia's sovereign rating and could also be negatively impacted if Malaysia's sovereign rating is downgraded. Actual or anticipated changes or downgrades in PETRONAS' credit ratings, including any announcement that its ratings are under further review for a downgrade, could affect the market value of your Notes.

Ratings are not recommendations to buy, sell or hold securities, and there can be no assurance that ratings will remain in effect for any given period of time or that ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. Each rating should be evaluated independently of any other rating.

Developments in other markets may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for Malaysian securities is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including Malaysia. Since the global financial crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

The Notes are a new issue of securities for which there is currently no public market; you may be unable to sell the Notes if a trading market for the Notes does not develop or if the Notes have limited liquidity.

The Notes are a new issuance of securities with no established trading market. If a trading market does not develop or is not maintained, holders of the Notes may experience difficulty in reselling the Notes or may be unable to sell them at all. The liquidity of any market for the Notes will depend on the number of holders of the Notes, the interest of securities dealers in making a market in the Notes and other factors. If the Notes are traded, they may trade at a discount from their initial offering price depending upon prevailing interest rates, the market for similar securities, general economic conditions, PETRONAS' performance and business prospects and other factors. No assurance can be given as to the development of, liquidity of, or the continuation of a trading market for the Notes. If an active trading market does not develop, the market price and liquidity of the Notes may be adversely affected.

The Notes will be unsecured obligations, will be structurally subordinated to the claims of creditors of PETRONAS' other subsidiaries and will be subordinated to the claims of PETRONAS' secured creditors.

The claims of all existing and future third-party creditors of PETRONAS' subsidiaries (other than the Issuer) as to the cash flows and assets of such companies will have priority over the claims of the shareholders of such subsidiaries, including PETRONAS, and the creditors of such shareholders (such as holders of the Notes seeking to enforce the Guarantee). As at December 31, 2020, PETRONAS had total consolidated borrowings, excluding derivative assets, of RM88,229 million, of which RM35,375 million was third-party debt of PETRONAS' subsidiaries (including PETRONAS Capital Limited and PETRONAS Energy Canada Ltd.). The terms and conditions of the Notes do not contain any restrictions on the ability of PETRONAS Capital Limited, PETRONAS Energy Canada Ltd., PETRONAS or its subsidiaries to incur additional indebtedness.

The Notes are subject to restrictions on resales and transfers.

The Notes have not been registered under the Securities Act or any U.S. state securities laws or under the securities laws of any other jurisdiction and are being issued and sold in reliance upon exemptions from registration provided by such laws. No Notes may be sold or transferred unless such sale or transfer is exempt from the registration requirements of the Securities Act (for example, in reliance on the exemptions provided by Rule 144A or Regulation S under the Securities Act) and applicable state securities laws. For certain restrictions on resales and transfers, see “*Subscription and Sale and Transfer and Selling Restrictions—Transfer Restrictions.*”

A listing of the Notes on a securities exchange cannot be guaranteed.

With respect to any Notes that may be issued by the Labuan Issuer pursuant to the Program and which are agreed at or prior to the time of issue thereof to be listed, approval-in-principle has been obtained on March 5, 2015 for (a) listing of such Notes on, and admission to the Official List of, the Labuan International Financial Exchange and (b) for listing of such Notes on, and admission to the Official List of, Bursa Malaysia under the Bursa Malaysia (Exempt Regime). With respect to any Notes that may be issued by the Canadian Issuer pursuant to the Program and which are agreed at or prior to the time of issue thereof to be listed, approval-in-principle, if applicable, will be obtained for (a) listing of such Notes on, and admission to the Official List of, the Labuan International Financial Exchange and (b) for listing of such Notes on, and admission to the Official List of, Bursa Malaysia under the Bursa Malaysia (Exempt Regime). The Issuer and PETRONAS cannot guarantee that the application for listing the Notes on the Hong Kong Stock Exchange will be approved and/or that the Notes will be so listed, or that Notes sought to be listed on the Labuan International Financial Exchange or Bursa Malaysia (Exempt Regime) will be so listed, or there will be no delay in any of these listings. The offering and settlement of the Notes are not conditional on obtaining any of these listings or the listing of the Notes on any exchange or trading market. Moreover, even if the Notes are so listed at the time of issuance, PETRONAS may seek an alternative listing for such Notes on another stock exchange, but there can be no assurance that such alternative listing will be obtained.

Bearer Notes where denominations involve integral multiples; definitive Bearer Notes.

In relation to any issue of Bearer Notes which have denominations consisting of a minimum specified denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum specified denomination. In such a case, a holder who, as a result of trading such amounts, holds an

amount which is less than the minimum specified denomination in its account with the relevant clearing system at the relevant time may not receive a definitive Bearer Note in respect of such holding (should definitive Bearer Notes be printed), and would need to purchase a principal amount of Notes such that its holding amounts to a specified denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

Modifications and waivers may be made in respect of the terms and conditions of the Notes by the Principal Paying Agent, the Issuer and the Guarantor without the consent of the Noteholders and Extraordinary Resolutions may be passed without the consent of each affected Noteholder.

The terms and conditions of the Notes will provide that the Principal Paying Agent, the Issuer and the Guarantor may (but shall not be obliged to), without the consent of Noteholders, agree to any modification of the terms and conditions of the Notes which will not be materially prejudicial to the interests of the Noteholders or which is of a formal, minor or technical nature, to correct a manifest error or to comply with mandatory provisions of the law. In addition, the terms and conditions of the Notes and the Agency Agreement will provide that an Extraordinary Resolution may be passed (i) as a written resolution signed by or on behalf of holders of not less than 75% in principal amount of the Notes for the time being outstanding or (ii) at a meeting of Noteholders attended by one or more persons holding or representing not less than 75% in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than 25%, in principal amount of the Notes for the time being outstanding, upon a majority of not less than 75% of the persons voting on such Extraordinary Resolution. A duly passed Extraordinary Resolution may amend the terms of the Notes, including modifying the due date for payment of principal, premium, redemption amount or interest thereof, reducing the amount of principal, premium or redemption amount or the rate of interest payable in respect of the Notes, varying the method of or basis for calculating redemption amount, altering the currency of payment of the principal, premium, redemption amount or interest of the Notes, modifying or cancelling the Guarantee, modifying the majority required to pass an Extraordinary Resolution, or sanctioning any scheme or proposal for the exchange or sale of the Notes. As such, an Extraordinary Resolution may be passed without the consent of each affected Noteholder.

Risks relating to Notes Denominated in Renminbi

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC.

Renminbi is not freely convertible for all purposes at present. The government of the PRC (the “**PRC Government**”) continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar. However, there has been significant reduction over the years by the PRC Government of control, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

Remittance of Renminbi by foreign investors into and out of the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

Although starting from October 1, 2016, Renminbi has been added to the Special Drawing Rights (the international reserve assets created by the International Monetary Fund to supplement its member countries' official reserves) basket created by the International Monetary Fund and policies further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were implemented by the People's Bank of China (the "**PBOC**"), the central bank of the PRC in 2018, there is no assurance that the PRC Government will continue to gradually liberalize control over cross border remittance of Renminbi in the future or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Renminbi Notes.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service such Renminbi Notes.

As a result of the restrictions imposed by the PRC Government on cross border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBOC has entered into agreements on the clearing of Renminbi business with financial institutions (each a "**RMB Clearing Bank**"), including, but not limited to, Hong Kong and are in the process of establishing Renminbi clearing and settlement mechanisms in a number of other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi denominated financial assets outside the PRC is limited. There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The relevant RMB Clearing Bank only has access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from outside the PRC to square such open positions. Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all. If Renminbi is not available in certain circumstances as described in the Conditions applicable to Renminbi Notes, the Issuer can make payments in U.S. dollars or other specified currencies as set out in the applicable Pricing Supplement.

Payments in respect of the Notes will only be made in accordance with prevailing rules and regulations in the manner specified in the Notes.

Except in limited circumstances, all payments of Renminbi under the Notes to an investor will be made solely by transfer to a Renminbi bank account maintained in Hong Kong by such investor in accordance with the prevailing rules and regulations and in accordance with the terms and conditions of the Notes. The Issuer and the Guarantor cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC). If access to Renminbi deliverable in Hong Kong becomes unavailable, the terms of the

Notes allow the Issuer and the Guarantor to make payments in U.S. dollars at the prevailing spot rate of exchange, all as provided for in more detail in “*Terms and Conditions of the Notes—Condition 7.8 (Payments—Currency of Payment)*.” As a result, the value of these Renminbi payments in the U.S. dollar may vary with the prevailing exchange rates in the market place. If the value of Renminbi depreciates against the U.S. dollar, the value of the investment in the U.S. dollars will decline.

Investment in the Notes is subject to exchange rate risks.

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC, international political and economic conditions and by several other factors. As a result, the value of payments under the Notes may vary with the prevailing exchange rates in the marketplace. If the value of the Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of a Noteholder’s investment in the U.S. dollar or other applicable foreign currency terms will decline.

The investment in the Notes is subject to interest rate risks.

The PRC Government has gradually liberalized the regulation of interest rates in recent years. Further liberalization may increase interest rate volatility. The Notes may carry a fixed interest rate. Consequently, the trading price of such Notes would vary with fluctuations in Renminbi interest rates. If a Noteholder tries to sell such Notes before their maturity, the Noteholder may receive an offer that is less than the original investment.

CAPITALIZATION

The following table sets forth the consolidated non-current borrowings and shareholders' equity of PETRONAS as at December 31, 2020. This table should be read in conjunction with PETRONAS' consolidated financial statements and the accompanying notes included elsewhere in this Offering Circular.

	As at December 31, 2020⁽¹⁾⁽³⁾	
	(in millions)	
Non-current borrowings	RM76,808	U.S.\$19,140
Shareholders' equity:		
Share capital	100	25
Reserves	330,521	82,362
Total equity attributable to shareholders of PETRONAS	330,621	82,387
Total capitalization ⁽²⁾	<u>RM407,429</u>	<u>U.S.\$101,527</u>

(1) On February 25, 2021, the Board of Directors of PETRONAS declared dividends of RM18,000 million. Except as disclosed herein, there have been no material changes in the consolidated capitalization of PETRONAS since December 31, 2020.

(2) Consists of consolidated non-current borrowings and shareholders' equity.

(3) U.S. dollar translations are calculated using an exchange rate of RM4.013 to U.S.\$1.00.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data as at December 31, 2019 and 2020, and for each of the years ended December 31, 2018, 2019 and 2020 set forth below have been derived from PETRONAS' audited consolidated financial statements included elsewhere in this Offering Circular. The selected consolidated statement of financial position data as at December 31, 2018 set forth below has been derived from PETRONAS' audited consolidated financial statements not included in this Offering Circular. The selected consolidated financial data should be read in conjunction with PETRONAS' audited financial statements and notes thereto as well as the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Offering Circular.

	Year Ended December 31,			
	2018	2019	2020	2020 ⁽¹⁾
	(in millions)			
Selected Consolidated Statements of Profit or Loss and Other Comprehensive Income Data:				
Revenue ⁽²⁾	RM250,976	RM240,263	RM178,741	U.S.\$44,540
Operating profit/(loss)	80,753	59,685	(8,516)	(2,122)
Financing costs	(4,707)	(3,734)	(4,133)	(1,030)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	684	1,019	328	82
Profit/(Loss) before taxation	76,730	56,970	(12,321)	(3,070)
Tax expense	(21,420)	(16,498)	(8,708)	(2,170)
Profit/(Loss) for the year	55,310	40,472	(21,029)	(5,240)
Profit/(Loss) for the year attributable to non-controlling interests	(7,445)	(7,451)	(2,822)	(703)
Profit/(Loss) for the year attributable to shareholders of PETRONAS	<u>RM47,865</u>	<u>RM33,021</u>	<u>RM(23,851)</u>	<u>U.S.\$ (5,943)</u>
Included in operating profit above:				
Depreciation and amortization ⁽³⁾	34,327	38,678	36,026	8,977
Net impairment (write-back)/losses on property, plant and equipment	(3,331)	6,539	25,702	6,405

As at December 31,				
	2018	2019	2020	2020 ⁽¹⁾
(in millions)				
Selected Consolidated Statements of Financial Position Data:				
Total current assets	RM241,434	RM206,462	RM193,394	U.S.\$ 48,192
Property, plant and equipment	310,385	319,204	291,717	72,693
Other assets ⁽⁴⁾	84,495	96,755	88,960	22,168
Total assets	<u>RM636,314</u>	<u>RM622,421</u>	<u>RM574,071</u>	<u>U.S.\$143,053</u>
Total current liabilities	RM111,930	RM73,000	RM56,718	U.S.\$ 14,134
Non-current borrowings ⁽⁵⁾	45,011	53,422	76,808	19,140
Deferred tax liabilities	9,986	12,598	8,455	2,107
Other long-term liabilities and provisions	44,135	44,486	51,056	12,723
Shareholders' equity:				
Share capital	100	100	100	25
Reserves	<u>380,371</u>	<u>388,996</u>	<u>330,521</u>	<u>82,362</u>
Total equity attributable to shareholders of PETRONAS	380,471	389,096	330,621	82,387
Non-controlling interests	<u>44,781</u>	<u>49,819</u>	<u>50,413</u>	<u>12,562</u>
Total equity and liabilities	<u>RM636,314</u>	<u>RM622,421</u>	<u>RM574,071</u>	<u>U.S.\$143,053</u>
Year Ended December 31,				
	2018	2019	2020	2020 ⁽¹⁾
(in millions)				

Other Financial Data:

Capital Expenditures and Other				
Investments ⁽⁶⁾	RM46,923	RM47,813	RM33,357	U.S.\$ 8,312
Adjusted EBITDA ⁽⁷⁾	RM116,474	RM96,273	RM55,320	U.S.\$13,785
Ratio of Adjusted EBITDA to Fixed				
Charges ⁽⁸⁾	39.51:1	27.62:1	13.67:1	—
Ratio of Non-current Borrowings to Adjusted				
EBITDA	0.39:1	0.55:1	1.39:1	—
Ratio of non-current borrowings to non-current borrowings plus shareholders' equity				
	0.11:1	0.12:1	0.19:1	—
ROACE ⁽⁹⁾	12.0%	8.7%	(4.1%)	—

(1) U.S. dollar translations are calculated using an exchange rate of RM4.0130 to U.S.\$1.00.

(2) See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a breakdown of the major sources of PETRONAS' revenue.

(3) Includes depreciation of property, plant and equipment and investment properties as well as amortization of intangible assets, contract costs and prepaid lease payments.

(4) Consists of investment properties, land held for development, prepaid lease payments, investments in associates, investments in joint ventures, intangible assets, long term receivables, non-current fund and other investments and deferred tax assets.

(5) Consists of notes and bonds, term loans, lease liabilities and Islamic financing facilities. See notes 21 and 22 to the financial statements included elsewhere in this Offering Circular.

(6) Consists of expenditure on property, plant and equipment, investment properties, intangible assets, land held for development and investments.

(7) Adjusted EBITDA consists of profit/(loss) for the year before tax expense, with the addition of amounts previously deducted for depreciation and amortization^(b), financing costs, net impairment (write-backs)/losses and provisions, net changes in provision for decommissioning, dismantling, removal or restoration of property, plant and equipment and the exclusion of interest income. A

reconciliation of profit/(loss) for the year to Adjusted EBITDA, which is the most directly comparable financial measure calculated and presented in accordance with MFRS, is provided below:

	Year Ended December 31,			
	2018	2019	2020	2020 ^(a)
	(in millions)			
Profit/(Loss) for the year	RM55,310	RM40,472	RM(21,029)	U.S.\$ (5,240)
Add:				
Tax expense	RM21,420	RM16,498	RM8,708	U.S.\$ 2,170
Profit/(Loss) before taxation	RM76,730	RM56,970	RM(12,321)	U.S.\$ (3,070)
Add:				
Depreciation and amortization ^(b)	RM34,327	RM38,678	RM36,002	U.S.\$ 8,971
Financing costs	RM4,707	RM3,734	RM4,133	U.S.\$ 1,030
Net impairment (write-backs)/losses and provisions ^(c)	RM(3,724)	RM5,541	RM32,707	U.S.\$ 8,150
Net changes in provision for decommissioning, dismantling, removal or restoration of property, plant and equipment	RM10,943	RM(1,761)	RM(363)	U.S.\$ (90)
Less:				
Interest income	RM(6,509)	RM(6,889)	RM(4,838)	U.S.\$ (1,206)
Adjusted EBITDA	RM116,474	RM96,273	RM55,320	U.S.\$13,785

(a) U.S. dollar translations are calculated using an exchange rate of RM4.0130 to U.S.\$1.00.

(b) Includes depreciation of property, plant and equipment, and investment properties as well as amortization of intangible assets and prepaid lease payments.

(c) Includes net impairment (write-backs)/losses on property, plant and equipment and intangible assets and provisions for contract exposures.

Adjusted EBITDA should not be viewed as an alternative measure of operating results or cash flows from operating activities as determined in accordance with MFRS or U.S. GAAP. Adjusted EBITDA has been included because it is widely used as a financial measure of the potential capacity of a company to incur and service debt. Adjusted EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare PETRONAS' Adjusted EBITDA to adjusted EBITDA presented by other companies because not all companies use the same definition.

- (8) Fixed Charges consist of interest expense and interest capitalized during construction for the applicable period less unwinding of discount of provision for decommissioning, dismantlement, removal or restoration of property, plant and equipment.
- (9) ROACE is calculated as Adjusted Profit/(Loss) divided by average of opening and closing balance of total equity and long term debt during the year. Adjusted Profit/(Loss) consists of profit/(loss) for the year, with the addition of financing costs and the exclusion of tax expense on financing costs. A reconciliation of profit/(loss) for the year to Adjusted Profit/(Loss), which is the most directly comparable financial measure calculated and presented in accordance with MFRS, is provided below:

	Year Ended December 31,			
	2018	2019	2020	2020 ^(a)
	(in millions)			
Profit/(Loss) for the year	RM55,310	RM40,472	RM(21,029)	U.S.\$(5,240)
Add:				
Financing costs ^(b)	RM2,855	RM1,972	RM2,342	U.S.\$ 584
Less: Tax expense on financing costs	(RM686)	(RM473)	(RM562)	U.S.\$ (140)
Adjusted Profit/(Loss)	RM57,479	RM41,970	RM(19,249)	U.S.\$(4,796)

(a) U.S. dollar translations are calculated using an exchange rate of RM4.0130 to U.S.\$1.00.

(b) Excludes unwinding of discount for the provision for decommissioning, dismantling, removal or restoration of property, plant and equipment.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the selected consolidated financial data and PETRONAS' audited financial statements and notes thereto included elsewhere in this Offering Circular. PETRONAS' financial statements have been prepared in accordance with MFRS and IFRS.

Overview

PETRONAS derives its revenue primarily from sales of petroleum products, liquids, LNG, natural and processed gas, chemical products, and the provision of shipping services. The main factors affecting results of operations are described below.

Factors Affecting Revenue

PETRONAS is a fully integrated global energy company with a diversified revenue base. Revenue in any period may be influenced by changing economic, regulatory and political environments globally, regionally or in the various countries in which PETRONAS operates. The primary factors affecting PETRONAS' revenue generation capability include commodity prices, production and entitlement volumes, the terms of production sharing contracts and exchange rates.

Commodity Prices

The primary factor affecting PETRONAS' operating results is the international market prices for crude oil and natural gas, which are primarily denominated in U.S. dollars. Higher prices generally have a positive effect on PETRONAS' operating profit, as PETRONAS' upstream segment benefits from the increase in prices realized from production. Lower prices generally have a corresponding negative effect. Changes in the price of crude oil also affect the world market prices for chemical feedstocks, such as naphtha. As a result, the market prices of a number of chemical products tend to vary with crude oil prices. The effect of changes in crude oil prices on PETRONAS' refined petroleum products business depends on the rate and extent to which the prices of such products adjust to reflect those changes.

In early 2020, oil prices experienced a precipitous decline in response to oil demand concerns due to the economic impact of the COVID-19 outbreak as well as anticipated increases in supply from Russia and the Organization of the Petroleum Exporting Countries ("OPEC"), particularly Saudi Arabia. As a result, Brent crude oil prices, which averaged U.S.\$64.31 per barrel in 2019, fell to an average of U.S.\$41.67 per barrel in 2020. See *"Risk Factors—Risks Relating to PETRONAS' Business—Substantial or extended declines in the prices of crude oil and related oil and gas products, or volatility in the prices of these products, may have a material adverse effect on PETRONAS' business, results of operations and financial condition"* and *"Risk Factors—Risks Relating to PETRONAS' Business—PETRONAS is subject to competition and volatility in the oil and gas industry landscape, which may weaken its profitability and competitiveness."*

Crude Oil. PETRONAS generally sells its crude oil to its term customers, primarily on the basis of market benchmark prices, and spot customers. Like other companies in the oil and gas industry, PETRONAS is exposed to volatility in oil-related revenue throughout the year, as prices can vary on a daily basis depending on a number of factors, including global supply and demand.

The following table sets forth, for each of the periods indicated, the weighted average prices for Malaysian crude oil and the average prices for Brent crude oil and West Texas Intermediate crude oil.

Crude Oil Data	Year Ended December 31,		
	2018	2019	2020
Malaysian crude oil ⁽¹⁾			
(average price per barrel)	U.S.\$75.24	U.S.\$70.33	U.S.\$45.05
Brent crude oil			
(average price per barrel)	U.S.\$71.04	U.S.\$64.31	U.S.\$41.67
West Texas Intermediate crude oil			
(average price per barrel)	U.S.\$64.92	U.S.\$57.02	U.S.\$39.31

Source: Platts Assessment, New York Mercantile Exchange and PETRONAS Trading Corporation Sdn. Bhd. (“**PETCO**”).

(1) Malaysian crude oil refers to a basket of Malaysian crude, namely Labuan, Miri Light, Kikeh and Kimanis.

Natural Gas. PETRONAS primarily sells its LNG pursuant to long-term contracts with offtakers in Japan, China and Korea. The price of LNG is generally established in U.S. dollars. LNG prices, which, under these contracts, are determined for each cargo by reference to Japan Customs-Cleared Crude price, Henry Hub price or other benchmarks, are generally affected by changes in crude oil prices, although there is typically a lag between changes in crude oil prices and contracted LNG sales prices. PETRONAS sells the remaining portion of its LNG volumes on a spot basis.

PETRONAS sells its processed gas generally pursuant to long-term contracts, principally to domestic power generators, such as Tenaga Nasional Berhad and independent power producers in Malaysia. It sells the balance to the Singapore market and industrial users such as PETRONAS’ chemical plants and Gas Malaysia Berhad (“**Gas Malaysia**”). Generally the price of processed gas sold under long-term contracts is initially established in ringgit by reference to fuel oil prices in Singapore.

From 1997, the Government of Malaysia established maximum prices for sales of processed gas to the Malaysian power and non-power sectors. In line with its strategy of rationalizing gas subsidies, the Government of Malaysia approved periodic increases in regulated gas prices to both the power and non-power sectors to reach price liberalization. Gas prices were liberalized effective from July 2019 for the non-power sector (RM33.35/mmbtu as at June 2019) and January 2020 for the power sector (RM28.70/mmbtu as at December 2019).

Following the commencement of the LNG regasification terminal operations in June 2013, the Government of Malaysia approved a two-tiered pricing mechanism for PETRONAS’ new customers and for additional demand from existing customers. This mechanism uses the Malaysia Reference Price (“**MRP**”), which is based on the ex-Malaysia LNG weighted average price free-on-board (“**FOB**”). The FOB ex-Malaysia LNG price was selected as the appropriate reference price to determine the domestic gas market price because it reflects the value of internationally traded Malaysian gas. As a result of this price deregulation exercise, most of the contract prices for PETRONAS’ sales to the power and non-power sectors are now indexed to MRP.

The following table sets forth, for each of the periods indicated, the relevant average price for PETRONAS' LNG and processed gas.

Natural Gas Data	Year Ended December 31,		
	2018	2019	2020
Japan Customs-Cleared Crude price for LNG (average price per barrel) ⁽¹⁾	U.S.\$72.92	U.S.\$66.82	U.S.\$45.89
Processed gas (weighted average price per mmbtu) ⁽²⁾	RM27.80	RM28.52	RM23.69

(1) Japan Ministry of Finance & Custom.

(2) Price for sales to Malaysia's domestic power sector (for 2018 and 2019) and Malaysian LNG FOB weighted average price for 2020.

Chemicals. PETRONAS' chemicals business is consolidated under its subsidiary, PETRONAS Chemicals Group Berhad, whose shares were listed on Bursa Malaysia in November 2010. The majority of the chemical products that PETRONAS produces are chemical commodities and further ventures into specialty chemical products. For commodities, low production cost is key to their competitiveness. In this market, plants with economies of scale, high reliability, diversified feedstock and customer bases and value-chain integration will normally enjoy higher profitability than others. The competitiveness of specialty chemical products, on the other hand, is normally subject to producers' access to feedstock, markets and technologies. Integrated chemical plants also benefit from efficiencies in logistics and savings in energy, transportation, purchasing and infrastructure costs. The chemical industry is facing challenges due to excess capacity and a weakening global economic environment resulting in weakening demand. PETRONAS has adopted a flexible approach in managing production and inventory to respond to these market challenges.

Production and Entitlement Volumes

The following table sets forth, for each of the periods indicated, PETRONAS' liquids and natural gas production and entitlement volumes.

Liquids Data	Year Ended December 31,		
	2018	2019	2020
Production volumes:			
PETRONAS' entitlement to Malaysia's liquids production (mmbbl)	159	151	143
PETRONAS' equity interest in international liquids production (mmbbl) ⁽¹⁾	109	128	106
Total of PETRONAS' entitlement to Malaysia's liquids production and PETRONAS' equity interest in international liquids production (mmbbl)	<u>268</u>	<u>279</u>	<u>249</u>
Entitlement volumes:			
PETRONAS' entitlement to Malaysia's liquids production (mmbbl)	159	151	143
PETRONAS' entitlement to international liquids production (mmbbl)	<u>57</u>	<u>73</u>	<u>72</u>
Total of PETRONAS' entitlement to Malaysia and international liquids production (mmbbl)	<u>216</u>	<u>224</u>	<u>215</u>

	Year Ended December 31,		
	2018	2019	2020
Natural Gas Data⁽²⁾			
Production volumes:			
PETRONAS' entitlement to Malaysia's natural gas production (bscf)	1,824	1,902	1,677
PETRONAS' equity interest in international natural gas production (bscf) ⁽¹⁾	752	738	744
Total of PETRONAS' entitlement to Malaysia's natural gas production and PETRONAS' equity interest in international natural gas production (bscf)	<u>2,576</u>	<u>2,640</u>	<u>2,421</u>
Entitlement volumes:			
PETRONAS' entitlement to Malaysia's natural gas production (bscf)	1,824	1,902	1,677
PETRONAS' entitlement to international natural gas production (bscf)	568	585	602
Total of PETRONAS' entitlement to Malaysia and international natural gas production (bscf)	<u>2,392</u>	<u>2,487</u>	<u>2,279</u>
Liquids and Natural Gas Data			
Total of PETRONAS' entitlements to liquids and natural gas production (mmbae)	615	639	595

(1) The difference between PETRONAS' equity interest in international liquids or natural gas production and its entitlement to international liquids or natural gas production is due to the timing difference of liquids lifting, and is net of free liquids or natural gas provided to host government, as specified in the relevant PSC or other contract.

(2) Natural gas production available for sale.

Production volumes of crude oil from Malaysia's domestic crude oil reserves are determined on an annual basis by PETRONAS. PETRONAS' gas production volumes are driven primarily by customer demand and the need to balance that demand with future sustainability of PETRONAS' gas reserves and future growth of PETRONAS' operations.

PETRONAS' entitlement to Malaysia's liquids production decreased by 5.0% in 2019 compared to 2018 and decreased by 5.3% in 2020 compared to 2019. The decrease in 2019 was mostly attributable to operational issues whereas the decrease in 2020 was primarily attributable to lower production levels of Labuan, Miri Light, Kikeh and Kimanis crudes as well as lower production of condensate, as in both cases production was limited in light of lower demand, primarily as a result of the COVID-19 pandemic.

Similarly, PETRONAS' entitlement to Malaysia's natural gas production has also varied since 2018; it increased by 4.3% in 2019 compared to 2018 and decreased by 11.8% in 2020 compared to 2019. The rectification of Sabah-Sarawak Gas Pipeline ("SSGP") disruption which occurred in 2018 contributed to the increase in PETRONAS' entitlement to Malaysia's natural gas production in 2019, although this was offset mainly by the production issues of certain PSC Contractors in their operations offshore Sarawak. The decrease in 2020 was primarily due to lower offtake of processed gas by domestic power sector and weaker LNG demand.

Production Sharing Contracts. PETRONAS' entitlement to Malaysia's oil and gas production includes the share of cost oil and/or cost gas and that of profit oil and/or profit gas to which it is entitled under the terms of the production sharing contracts agreed with the PSC Contractors, including PETRONAS Carigali. PETRONAS' share of crude oil and natural gas production and its revenue are affected by market prices, the total amount of oil and gas produced, the amount of oil and gas retained by the PSC Contractors for cost recovery as well as their share of the profit oil and gas. Under the terms of the various production sharing contracts into which PETRONAS has entered, the PSC Contractors bear all costs. The PSC Contractors may recover specified capital and operating costs in barrels of crude oil or gas equivalent in accordance with the terms of their respective production sharing contracts. A portion of PETRONAS' entitlement to Malaysia's liquid production is sold as crude oil and a portion is used as a feedstock for PETRONAS' refineries and sold as refined petroleum products. PETRONAS uses its entitlement to Malaysia's gas production for processing, liquefaction and domestic and international sales. Production sharing contracts have evolved to include favorable fiscal terms and incentives to encourage PSC Contractors to take on additional risks and explore deepwater and marginal field areas. PETRONAS has recently adopted a long-life asset business model in certain production sharing contracts in areas that are close to the end of their productive lives and at the end of their PSCs. The terms of these contracts provide additional incentives to PSC Contractors and require contributions to PETRONAS' funding of decommissioning activities. See "*Business—Upstream Segment—Domestic E&P Operations.*"

In respect of its international operations, PETRONAS' entitlement to international liquids production increased by 28.1% in 2019 compared to 2018 and decreased by 1.4% in 2020 compared to 2019. The significant increase in 2019 mainly resulted from an increase in PETRONAS' entitlement to production in Brazil through acquisitions of participating interests. The decrease in 2020 resulted mainly from production curtailments for both the Garraf and Halfaya oil fields in Iraq that were taken in coordination with OPEC+ quota limitations, and because the Halfaya oil field was shut in for part of the year following the operator's implementation of COVID-19 control measures. PETRONAS' entitlement to international natural gas production increased by 3.0% in 2019 compared to 2018 and increased by 2.9% in 2020 compared to 2019. The increase in 2019 was mainly attributable to higher production in Oman through acquisitions of participating interests, as well as higher gas demand from Turkmenistan, as a new ethane cracker plant increased demand in Turkmenistan. The increase in 2020 was mainly attributable to continued higher gas demand in Turkmenistan driven by the new ethane cracker plant.

PETRONAS recovers its exploration, development and production costs in its international operations in accordance with the terms of the production sharing contracts or such other arrangements to which it is a party. See "*Business—Upstream Segment—International E&P Operations.*"

Factors Affecting Costs and Margins

The principal component of PETRONAS' operating expenses is cost of revenue, which includes costs of exploring, developing and producing crude oil and natural gas, and costs of purchasing a portion of the crude oil and natural gas used as feedstock for PETRONAS' refineries and gas processing, chemical and LNG plants and for trading operations. Other operating expenses mainly include cash payments, employee costs, selling and distribution expenses and depreciation.

The volatility of crude oil prices observed from 2018 through 2020 caused many industry players to reduce their investments and contain their costs. In response to this volatility, PETRONAS, as a multinational, fully integrated energy company, has also generally been seeking to maintain a stable level of capital expenditures to support its three-pronged growth strategy while

strengthening its cost discipline, but it took steps to optimize capital expenditures in 2020 in light of the challenging market conditions. PETRONAS' Capital Expenditures and Other Investments, which includes expenditures on property, plant and equipment, investment properties, land held for development, intangible assets and investments, were RM46,923 million, RM47,813 million and RM33,357 million in 2018, 2019 and 2020, respectively

The prices of refining and chemical products and their underlying key feedstocks, crude oil and natural gas, are subject to fluctuations, as they are influenced by global supply and demand. Consequently, the margins of these products have historically been cyclical and are sensitive to supply and demand imbalances both domestically and internationally. Supply is affected by significant capacity expansions by producers, and if such additions are not matched by corresponding growth in demand, which is generally linked to the level of economic activity, average industry operating margins will face downward pressures. PETRONAS is able, to some extent, to mitigate the effects of these fluctuations and cyclicity by using a significant portion of its own crude oil and natural gas production as feedstock for its refineries and chemical facilities. The utilization rates of refining and chemical facilities are also critical to PETRONAS' refining and chemical operations. Having experienced the low-price environment in 2015 and 2016, PETRONAS undertook a rigorous exercise to control costs and improve efficiencies, which have been institutionalized to allow it to better withstand low price environments.

For PETRONAS' refining and chemicals businesses, margins are key to their profitability and competitiveness. In this market, plants with economies of scale, high reliability, diversified feedstock and customer bases and value-chain integration will normally capture higher margins than other plants without these advantages. Through maintaining and expanding its efforts in enhancing integration across its value chain, controlling costs and improving efficiencies, PETRONAS improves its refining and chemicals margins and enhances the margins of its consolidated businesses.

Other Factors Affecting Results of Operations

Net impairment losses. Net impairment losses and the write-back of these losses can affect PETRONAS' results of operations. At each reporting date, PETRONAS performs impairment assessments of its assets to determine if there is any indication on impairment. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. These losses are recognized in the profit or loss. An impairment loss is reversed (an impairment write-back) 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 amortization, if no impairment loss had been recognized. Factors impacting impairment of PETRONAS' assets are primarily the long-term assumptions on product prices, volume, costs, growth rate and discount rate. In 2018, PETRONAS recognized net impairment write-back of RM4,753 million, while in 2019 it recognized net impairment losses of RM7,151 million. PETRONAS' net impairment write-back in 2018 was primarily attributable to higher impairment write-backs on property, plant and equipment, mainly arising from extensions of the economic lives of various projects in Chad, South Sudan and Malaysia resulting from changes in the underlying assumptions, as well as on receivables due to higher cash collections from Egypt. PETRONAS net impairment losses in 2019 were largely attributable to lower price outlook on certain assets, particularly those in Australia, Azerbaijan and Chad. In 2020, PETRONAS recognized a significant net impairment loss of RM32,681 million, which was primarily due to the severe decline in oil prices in early 2020 and the continued low demand resulting from the COVID-19 pandemic, which affected certain of PETRONAS assets, particularly those in Australia, Canada, Azerbaijan, Chad, Oman, South Sudan as well as Malaysia. PETRONAS re-validates its long-term assumptions at least annually in the third and fourth quarter of each year or as and when there is a need to revisit the assumptions.

Settlement Agreement with Sarawak and New Sabah Sales Tax. In 2018 Sarawak amended the SST to apply sales tax at a rate of 5% on certain transactions in prescribed petroleum products delivered out of Sarawak to which the tax previously did not apply. Although PETRONAS and the State of Sarawak previously had litigation pending regarding the application of the SST to PETRONAS, as part of the parties' efforts to reach an agreement, PETRONAS and the State of Sarawak subsequently withdrew their respective pending actions in court, and on September 15, 2020, PETRONAS paid RM2,957 million in settlement of its SST obligations for 2019 and committed to pay SST moving forward based on the relevant assessments by the State of Sarawak. On December 7, 2020, PETRONAS and the Sarawak State Government entered into a commercial settlement agreement ("CSA") reflecting their agreement on issues relating to Sarawak's imposition of the SST and certain other oil and gas matters that they had been negotiating. The CSA also provides for Sarawak's more active involvement in the oil and gas industry in the state, the management of Sarawak's onshore oil and gas resources by Petroleum Sarawak Berhad (PETROS) (an oil and gas company owned by the State of Sarawak), and participation rights by a PETROS' subsidiary in certain PSCs in areas off the coast of Sarawak, offshore Malaysia. PETRONAS and PETROS are currently negotiating a definitive agreement consistent with the key terms of the CSA relating to PETROS' rights under that agreement to manage on-shore oil and gas development in Sarawak. In January 2021, a subsidiary of PETROS made its first investment in a PSC offshore development as a PSC contractor and discussions are ongoing on another possible investment. Consistent with the CSA, PETRONAS' arrangements with PETROS, including investments in offshore development and any other aspects of the industry, are to be conducted on commercial terms.

The CSA also provides for a consultative framework under which the parties can jointly consult on matters in the oil and gas industry, including those that affect the State of Sarawak's interests. PETRONAS believes that the CSA will help to provide for a stable, conducive business and investment environment in Sarawak's oil and gas industry.

PETRONAS' results of operations and cash flows for 2020 were affected in part by its payment of SST noted above, and its results and cash flows in future periods will also be affected in part by this sales tax. The scale and timing of PETROS' investment in PSCs off the coast of Sarawak and PETROS' participation in other aspects of the industry, are uncertain. Any investment decision will depend on PETROS' risk appetite and its strategic approach in the implementation of the principles set out in the CSA, taking into account the availability of capital and technical expertise. However, to the extent that PETROS does participate, PETRONAS' entitlement to production from projects in which PETROS participates will be reduced and PETRONAS' entitlement to reserves associated with these projects may be lower than it would have been without such participation, similar to the impact of PETRONAS' PSC arrangements with other contractors.

In addition to Sarawak's imposition of the SST, the State of Sabah has announced that it is imposing a sales tax on prescribed petroleum products starting from April 1, 2020. PETRONAS and the State of Sabah have been discussing the implementation of this sales tax, in terms of both the calculation and the mechanism for payments. In 2020, PETRONAS recorded RM501 million in its cost of revenue for the new State of Sabah sales tax accrued from April 1, 2020. As the scale of PETRONAS' operations in Sabah are substantially smaller than those in Sarawak, the effect of this tax on PETRONAS is expected to be proportionally less.

Exchange Rate-Related Matters. Although most of PETRONAS' revenue and costs are denominated in U.S. dollars, a portion of PETRONAS' revenue and expenses are denominated in ringgit and other currencies, including, for example, employee costs in Malaysia and other countries. In addition, borrowings in currencies other than the ringgit are translated into the ringgit at each

reporting date, and these translations may positively or negatively affect PETRONAS' results of operations for that period. A strengthening of the U.S. dollar against the ringgit generally has a positive effect on PETRONAS' results of operations, and a weakening of the U.S. dollar against the ringgit generally has a negative effect on PETRONAS' results of operations. See "*Risk Factors—Risks Relating to Malaysia—Changes in the exchange rate between the U.S. dollar and the Malaysian ringgit could have a negative impact on PETRONAS' results of operations and financial condition*" and "*Exchange Rates.*"

Tax Matters. PETRONAS is subject to all taxes generally applicable to companies incorporated under the Malaysian Companies Act, 2016. Under the Malaysian Petroleum (Income Tax) Act, 1967, PETRONAS and PETRONAS Carigali are subject to a petroleum income tax rate of 38% on taxable income from sales of crude oil and natural gas. Pursuant to the Malaysian Income Tax Act, 1967, taxable income from PETRONAS' other activities, including sales of LNG, processed gas, refined petroleum products, and chemicals, is subject to the statutory corporate income tax rate of 24%. PETRONAS is also subject to taxation in the various jurisdictions that it operates in outside Malaysia.

Significant Accounting Policies

The preparation of PETRONAS' financial statements requires PETRONAS' management to select and apply significant accounting policies and to make estimates and judgments that affect PETRONAS' reported financial condition and results of operations. See note 1.4 (Use of estimates and judgments) and note 2 (Significant Accounting Policies) to the financial statements for the years ended December 31, 2018, 2019 and 2020, included elsewhere in this Offering Circular, for a summary of PETRONAS' significant accounting policies that are critical to the portrayal of PETRONAS' financial condition.

Results of Operations

2020 Compared to 2019

The following table presents a summary of PETRONAS' statement of profit or loss and other comprehensive income information and changes therein for 2020 and 2019.

	Year Ended December 31,		Changes	
	2019	2020	Amount	%
	(in millions, except percentages)			
Revenue	RM240,263	RM178,741	RM(61,522)	(25.6)
Cost of revenue	(155,926)	(134,958)	20,968	(13.4)
Gross profit	84,337	43,783	(40,554)	(48.1)
Selling and distribution expenses	(7,536)	(8,174)	(638)	(8.5)
Administration expenses	(12,862)	(9,675)	3,187	24.8
Net impairment losses/write-off ⁽¹⁾	(7,151)	(32,681)	(25,530)	(>100)
Other expenses	(2,261)	(5,871)	(3,610)	(>100)
Other income	5,158	4,102	(1,056)	(20.5)
Operating profit/(Loss)	59,685	(8,516)	(68,201)	(>100)
Financing costs	(3,734)	(4,133)	(399)	(10.7)
Share of profits after tax and non-controlling interests of equity accounted associates and joint ventures	1,019	328	(691)	(67.8)
Profit/(Loss) before taxation	56,970	(12,321)	(69,291)	(>100)
Tax expense	(16,498)	(8,708)	7,790	47.2
Profit/(Loss) for the year	<u>RM40,472</u>	<u>RM(21,029)</u>	<u>RM(61,501)</u>	<u>(>100)</u>

(1) Includes net impairment losses on property, plant and equipment of RM25,702 million and RM6,539 million in 2020 and 2019, respectively, net impairment on intangible assets of RM5,648 million and RM204 million in 2020 and 2019 respectively as well as net impairment write back on receivables of RM37 million in 2020 and net impairment loss on receivables of RM69 million in 2019.

Revenue. The following table sets forth, for 2019 and 2020, the consolidated revenues of PETRONAS by operating segments, by products and services, and by geographical markets, and expresses each as a percentage of PETRONAS' consolidated revenue and changes therein for 2019 and 2020. As noted above, a significant portion of PETRONAS' oil and gas production from its upstream segment is sold internally and utilized in its gas and new energy and downstream segments; these sales are eliminated in the table presented below.

For detailed disclosure of the segment eliminations, please refer to note 37 of the consolidated financial statements included elsewhere in this Offering Circular.

Sources of Revenue	Year Ended December 31,				Changes	
		% of		% of		
	2019	Consolidated	2020	Consolidated	Amount	%
	(in millions)	Revenue	(in millions)	Revenue	(in millions)	
Operating Segments:						
Upstream	37,766	15.7	28,734	16.1	(9,032)	(23.9)
Gas and New Energy	74,666	31.1	54,621	30.5	(20,045)	(26.8)
Downstream	114,157	47.5	84,183	47.1	(29,974)	(26.3)
Corporate and others	13,674	5.7	11,203	6.3	(2,471)	(18.1)
Consolidated Revenue	<u>RM240,263</u>	<u>100.0</u>	<u>RM178,741</u>	<u>100.0</u>	<u>(61,522)</u>	<u>(25.6)</u>
Products and Services:						
Petroleum products	85,562	35.6	62,705	35.1	(22,857)	(26.7)
LNG	51,298	21.4	37,669	21.1	(13,629)	(26.6)
Liquids	35,792	14.9	23,710	13.3	(12,082)	(33.8)
Natural and processed gas	29,082	12.1	22,305	12.5	(6,777)	(23.3)
Chemicals	16,022	6.7	14,177	7.9	(1,845)	(11.5)
Shipping services	2,780	1.1	2,577	1.4	(203)	(7.3)
Investment income	5,738	2.4	4,101	2.3	(1,637)	(28.5)
Others	13,989	5.8	11,497	6.4	(2,492)	(17.8)
Consolidated Revenue	<u>RM240,263</u>	<u>100.0</u>	<u>RM178,741</u>	<u>100.0</u>	<u>(61,522)</u>	<u>(25.6)</u>
Geographical Markets:						
Rest of Asia	70,113	29.1	54,006	30.2	(16,107)	(23.0)
Malaysia	79,433	33.1	56,098	31.4	(23,335)	(29.4)
Japan	20,760	8.6	17,608	9.9	(3,152)	(15.2)
South Africa	23,993	10.0	14,873	8.3	(9,120)	(38.0)
Rest of the World	45,964	19.2	36,156	20.2	(9,808)	(21.3)
Consolidated Revenue	<u>RM240,263</u>	<u>100.0</u>	<u>RM178,741</u>	<u>100.0</u>	<u>(61,522)</u>	<u>(25.6)</u>

Revenue—Overview.

PETRONAS' consolidated revenue in 2020 decreased by RM61,522 million to RM178,741 million, a 25.6% decrease from the RM240,263 million recorded in 2019. The decrease was primarily attributable to lower average realized prices recorded for all products. This decrease was in line with the decrease in the average price of Brent crude oil, which averaged U.S.\$41.67 per barrel in 2020, 35.2% lower than the average of U.S.\$64.31 per barrel in 2019. The decrease was also partly attributed to lower sales volume, mainly due to lower offtake of processed gas by Malaysia's domestic power sector. Petroleum products and LNG sales volumes were also lower, mainly due to lower demand following global lockdown measures taken to control the COVID-19 pandemic.

The decrease in total revenue for 2020 was offset in part by favorable effects of the weakening of the ringgit against the U.S. dollar. In 2020, the average exchange rate of the ringgit to the U.S. dollar was approximately RM4.20, as compared to an average of approximately RM4.14 in 2019.

Revenue—Operating Segments.

PETRONAS' revenue from each operating segment discussed below has been adjusted to eliminate the inter-segment revenue arising from transactions between the operating segments. For detailed disclosure regarding PETRONAS' operating segments, see "*Business.*"

Revenue for the upstream segment decreased in 2020 by RM9,032 million to RM28,734 million, a 23.9% decrease from the RM37,766 million reported in 2019. The decrease was primarily attributable to the impact of lower average realized prices for liquids and gas.

Revenue for the gas and new energy segment decreased in 2020 by RM20,045 million to RM54,621 million, a 26.8% decrease from the RM74,666 million reported in 2019. The decrease was primarily attributable to the effect of lower average realized prices and sales volumes for both LNG and processed gas.

Revenue for the downstream segment decreased in 2020 by RM29,974 million to RM84,183 million, a 26.3% decrease from the RM114,157 million reported in 2019. The decrease was primarily attributable to lower average realized prices for petroleum products, chemical products and crude oil.

Revenue for the corporate and others segment decreased in 2020 by RM2,471 million to RM11,203 million, an 18.1% decrease from the RM13,674 million reported in 2019. The decrease was primarily attributable to lower fund investment income.

Revenue—Geographical Markets.

PETRONAS' revenue by the geographical markets of customers is divided into Rest of Asia, Malaysia, Japan, South Africa, and Rest of the World. Revenue from Malaysia made the largest contribution to revenue, followed by revenue from Rest of Asia and Rest of the World. In 2020, Rest of Asia mainly comprised customers in China, Singapore, Thailand, Korea, India, Indonesia and Vietnam. Rest of the World mainly comprised customers in Australia, the United States of America, Brazil, South Sudan, the United Kingdom, Italy and Canada.

The 25.6% decrease in total revenue reported by PETRONAS in 2020 was mainly attributable to lower revenue from Malaysia and Rest of Asia. Revenue from Malaysia decreased by 29.4% to RM56,098 million from RM79,433 million in 2019. Revenue from Rest of Asia decreased by 23.0% in 2020 to RM54,006 million from RM70,113 million in 2019. The decreases were mainly due to lower average realized prices for all products, in line with decrease in benchmark prices.

Cost of Revenue.

Cost of revenue decreased in 2020 by RM20,968 million to RM134,958 million, a 13.4% decrease from the RM155,926 million reported in 2019. The decrease was primarily attributable to lower product costs (primarily in relation to PETRONAS' refining and trading operations) and lower production costs, which decreased by RM21,619 million, primarily as a result of lower average prices and purchase volumes in 2020. The decrease was partly offset by the recognition of new Sarawak and Sabah states sales taxes, of RM5,500 million, in aggregate, see "*—Factors Affecting Results of Operations—Settlement Agreement with Sarawak and New Sabah Sales Tax.*"

Gross Profit and Gross Profit Margin.

PETRONAS' gross profit decreased in 2020 by RM40,554 million to RM43,783 million, a 48.1% decrease from the RM84,337 million reported in 2019. Gross profit margin in 2020 was lower at 24.5%, compared to 35.1% in 2019, primarily due to lower average realized prices recorded for all products.

Gross profit margin is calculated as gross profit for the year divided by the corresponding revenue for the year and expressed as a percentage.

Selling and Distribution Expenses.

Selling and distribution expenses increased in 2020 by RM638 million to RM8,174 million, an 8.5% increase from the RM7,536 million reported in 2019. The increase was primarily attributable to freight and storage costs relating to new fuel oil blending activities that PETRONAS commenced in Malta starting in the fourth quarter of 2019, as well as pipeline tariffs for pipelines in Azerbaijan that began operations in 2020.

Administration Expenses.

PETRONAS' administration expenses decreased in 2020 by RM3,187 million to RM9,675 million, a 24.8% decrease from RM12,862 million reported in 2019. The decrease was primarily attributable to lower depreciation on property, plant and equipment.

Net Impairment Losses/ Write-Back.

PETRONAS' recorded net impairment losses in 2020 of RM32,681 million, while in 2019 it recorded net impairment loss of RM7,151 million. The net impairment losses in 2020 were largely attributable to the lower price outlook, particularly for assets in Australia, Canada, Azerbaijan, Chad, Oman, South Sudan as well as Malaysia, primarily as a result of the severe decline in oil prices in early 2020 and the continued low demand resulting from the COVID-19 pandemic.

Other Expenses.

Other expenses increased significantly in 2020 by RM3,610 million to RM5,871 million, as compared with the RM2,261 million reported in 2019. The increase was primarily attributable to a penalty of RM1,537 million arising from tax audits conducted by Malaysia's Inland Revenue Board ("IRB") for petroleum transactions in previous years, provisions for contracts for which it was determined that the unavoidable costs of meeting the contractual obligations exceed the economic benefits of RM1,138 million and the impact of an unfavorable arbitration result for PETRONAS' indirectly-owned subsidiary, Gumusut-Kakap Semi Floating Production System (L) Limited ("GKL") of RM1,072 million in 2020. The arbitration proceedings were against Sabah Shell Petroleum Co ("SSPC") to seek resolution on contractual disputes whereby GKL claimed for outstanding additional lease rates, payment for completed variation works and other associated costs under the contract entered with SSPC.

Other Income.

Other income decreased in 2020 by RM1,056 million to RM4,102 million, a 20.5% decrease from the RM5,158 million reported in 2019. This decrease was primarily attributable to a reversal of

the provision for decommissioning, dismantlement, removal or restoration of property plant and equipment, which were higher in 2019 than in 2020.

Operating Profit/(Loss).

As a result of the factors discussed above, in 2020 PETRONAS incurred an operating loss of RM8,516 million, as compared with an operating profit of RM59,685 million reported in 2019.

Financing Costs.

Financing costs increased in 2020 by RM399 million to RM4,133 million, a 10.7% increase from the RM3,734 million reported in 2019, mainly due to additional interest on third party leases, which related to new lease liabilities for a floating, production, storage and offloading (“FPSO”) unit in Brazil, and higher interest on borrowings.

Share of Profits After Tax and Non-Controlling Interests of Equity Accounted Associates and Joint Ventures.

Share of profits after tax and non-controlling interests of equity-accounted associates and joint ventures decreased in 2020 by RM691 million to RM328 million, a 67.8% decrease from RM1,019 million reported in 2019. The decrease was primarily attributable to an impairment loss recognized in 2020 for BASF Petronas Chemicals (“BPC”) following the decision to close BPC’s butanediol and derivatives plant in March 2021 and lower prices and demand in the wake of COVID-19 impact throughout 2020.

Profit/(Loss) before Taxation.

PETRONAS recorded a loss before taxation in 2020 of RM12,321 million, as compared with profit before taxation of RM56,970 million reported in 2019, for the reasons discussed above.

Tax Expense.

PETRONAS’ tax expense decreased in 2020 by RM7,790 million to RM8,708 million, a 47.2% decrease from the RM16,498 million reported in 2019. The lower tax expense was primarily attributable to the loss before taxation in 2020 and PETRONAS Carigali Turkmenistan’s recognition of deferred tax asset following approval by the Turkmenistan government to extend the period to carry forward unutilized business losses. The decrease was partially offset by derecognition of deferred tax assets for processed gas and the recognition of additional tax following the Malaysian IRB’s tax audit of petroleum transaction in prior years.

Profit/(Loss) for the Year.

PETRONAS recognized a loss for the year in 2020 of RM21,029 million, as compared with profit for the year in 2019 of RM40,472 million.

Profit/(Loss) for the Year—Operating Segments.

The following table sets forth, for 2019 and 2020, the consolidated profits/(losses) of PETRONAS by operating segment, and expresses each as a percentage of PETRONAS' consolidated profit/(loss) and changes therein for 2019 and 2020.

	Year Ended December 31,				Changes	
	% of Consolidated Profit		% of Consolidated Profit		Amount	%
	2019 (in millions)	2020 (in millions)	2019 (in millions)	2020 (in millions)		
Operating Segments:						
Upstream	22,199	54.8%	(10,218)	48.6%	(32,417)	—
Gas and New Energy	9,780	24.2%	(9,983)	47.5%	(19,763)	—
Downstream	5,166	12.8%	(3,458)	16.4%	(8,624)	—
Corporate and others	4,675	11.5%	242	(1.1%)	(4,433)	(>100%)
Consolidation adjustments and eliminations	(1,348)	(3.3%)	2,388	(11.4%)	3,736	—
Total	RM40,472	100.0%	RM(21,029)	100.0%	(61,501)	—

Profit/(loss) for the year by operating segments includes the inter-segment profit/(loss) arising from transactions between the operating segments, which is adjusted and eliminated in deriving PETRONAS' consolidated loss for the year discussed above.

Loss for the year for the upstream segment in 2020 was RM10,218 million, compared with the profit of RM22,199 million reported in 2019. The change from a profit to a loss was primarily attributable to lower revenue and higher impairment loss on assets, which were partially offset by lower tax expense, operating expense and cash payments.

Loss for the year for the gas and new energy segment in 2020 was RM9,983 million, compared with profit of RM9,780 million reported in 2019. The change from a profit to a loss was primarily attributable to lower revenue and higher impairment loss on assets, which were partially offset by lower product costs.

Loss for the year for the downstream segment in 2020 was RM3,458 million, as compared with the profit of RM5,166 million reported in 2019. The change from a profit to a loss was primarily attributable to inventory and impairment loss on assets, compressed margins and lower petroleum product marketing sales volume.

Profit for the year for corporate and others segment decreased in 2020 by RM4,433 million to RM242 million, a 94.8% decrease from RM4,675 million reported in 2019. The decrease was primarily attributable to higher impairment loss on assets recognized and provision for litigation claims arising from the unfavorable arbitration result for GKL.

Total consolidation adjustments and eliminations were RM2,388 million in 2020 and negative RM1,348 million in 2019.

2019 Compared to 2018

The following table presents a summary of PETRONAS' statement of profit or loss and other comprehensive income information and changes therein for 2019 and 2018.

	Year Ended December 31,		Changes	
	2018	2019	Amount	%
	(in millions, except percentages)			
Revenue	RM250,976	RM240,263	RM(10,713)	(4.3)
Cost of revenue	(158,080)	(155,926)	2,154	(1.4)
Gross profit	92,896	84,337	(8,559)	(9.2)
Selling and distribution expenses	(7,022)	(7,536)	(514)	7.3
Administration expenses	(12,139)	(12,862)	(723)	6.0
Net impairment write-back/(losses) ⁽¹⁾	4,753	(7,151)	(11,904)	n/m
Other expenses	(2,563)	(2,261)	302	(11.8)
Other income	4,828	5,158	330	6.8
Operating profit	80,753	59,685	(21,068)	(26.1)
Financing costs	(4,707)	(3,734)	973	(20.7)
Share of profits after tax and non-controlling interests of equity accounted associates and joint ventures	684	1,019	335	49.0
Profit before taxation	76,730	56,970	(19,760)	(25.8)
Tax expense	(21,420)	(16,498)	4,922	(23.0)
Profit for the year	<u>RM55,310</u>	<u>RM40,472</u>	<u>RM(14,838)</u>	<u>(26.8)</u>

(1) Includes net impairment losses on property, plant and equipment of RM6,539 million in 2019 and write-back of RM3,331 million in 2018, as well as net impairment losses on receivables of RM69 million in 2019 and write back of RM1,592 million in 2018.

Revenue. The following table sets forth, for 2018 and 2019, the consolidated revenues of PETRONAS by operating segments, by products and services, and by geographical markets, and expresses each as a percentage of PETRONAS' consolidated revenue and changes therein for 2018 and 2019. As noted above, a significant portion of PETRONAS' oil and gas production from its upstream segment is sold internally and utilized in its gas and new energy and downstream segments; these sales are eliminated in the table presented below.

For detailed disclosure of the segment eliminations, please refer to note 37 of the consolidated financial statements included elsewhere in this Offering Circular.

Sources of Revenue	Year Ended December 31,				Changes	
	2018	% of Consolidated Revenue	2019	% of Consolidated Revenue	Amount	%
	(in millions)		(in millions)		(in millions)	
Operating Segments:						
Upstream	39,301	15.6	37,766	15.7	(1,535)	(3.9)
Gas and New Energy	75,280	30.0	74,666	31.1	(614)	(0.8)
Downstream	122,140	48.7	114,157	47.5	(7,983)	(6.5)
Corporate and others	14,255	5.7	13,674	5.7	(581)	(4.1)
Consolidated Revenue ...	<u>RM250,976</u>	<u>100.0</u>	<u>RM240,263</u>	<u>100.0</u>	<u>RM(10,713)</u>	<u>(4.3)</u>
Products and Services:						
Petroleum products	89,158	35.5	85,562	35.6	(3,596)	(4.0)
LNG	53,937	21.5	51,298	21.4	(2,639)	(4.9)
Liquids	40,419	16.1	35,792	14.9	(4,627)	(11.4)
Natural and processed gas	27,857	11.1	29,082	12.1	1,225	4.4
Chemicals	19,071	7.6	16,022	6.7	(3,049)	(16.0)
Shipping services	2,137	0.9	2,780	1.1	643	30.1
Investment income	5,487	2.2	5,738	2.4	251	4.6
Others	12,910	5.1	13,989	5.8	1,079	8.4
Consolidated Revenue ...	<u>RM250,976</u>	<u>100.0</u>	<u>RM240,263</u>	<u>100.0</u>	<u>RM(10,713)</u>	<u>(4.3)</u>
Geographical Markets:						
Rest of Asia	83,812	33.4	70,113	29.1	(13,699)	(16.3)
Malaysia	75,066	29.9	79,433	33.1	4,367	5.8
Japan	25,941	10.3	20,760	8.6	(5,181)	(20.0)
South Africa	24,009	9.6	23,993	10.0	(16)	(0.1)
Rest of the World	42,148	16.8	45,964	19.2	3,816	9.1
Consolidated Revenue ...	<u>RM250,976</u>	<u>100.0</u>	<u>RM240,263</u>	<u>100.0</u>	<u>RM(10,713)</u>	<u>(4.3)</u>

Revenue—Overview.

PETRONAS' consolidated revenue in 2019 decreased by RM10,713 million to RM240,263 million, a 4.3% decrease from RM250,976 million in 2018. The decrease was primarily attributable to lower average realized prices recorded for major products. This decrease was in line with the decrease in the average price of benchmark Brent crude oil, which averaged U.S.\$64.31 per barrel in 2019, 9.5% lower than the average of U.S.\$71.04 per barrel in 2018.

The decrease in total revenue for 2019 was offset in part by the favorable effects of the weakening of the ringgit against the U.S. dollar. In 2019, the average exchange rate of the ringgit to the U.S. dollar was approximately RM4.14, as compared to an average of approximately RM4.03 in 2018. The decrease in PETRONAS' total revenue for 2019 was also partially offset by improved operational performance and higher sales volume of petroleum products. LNG sales volume was also higher, mostly attributable to higher production volume from PLC in line with higher gas availability after rectification of a disruption in the SSGP in 2018.

Revenue—Operating Segments.

PETRONAS' revenue from each operating segment discussed below has been adjusted to eliminate the inter-segment revenue arising from transactions between the operating segments. For detailed disclosure regarding PETRONAS' operating segments, see "*Business*."

Revenue for the upstream segment decreased in 2019 by RM1,535 million to RM37,766 million, a 3.9% decrease from the RM39,301 million reported in 2018. The decrease was primarily attributable to the impact of lower average realized prices for liquids and gas. This was partially offset by the favorable effects of the weakening of the ringgit against the U.S. dollar.

Revenue for the gas and new energy segment slightly decreased in 2019 by RM614 million to RM74,666 million, a 0.8% decrease from the RM75,280 million reported in 2018. The decrease was primarily attributable to the effect of lower average realized prices for LNG, partially offset by an increase in LNG sales volume in 2019.

Revenue for the downstream segment decreased in 2019 by RM7,983 million to RM114,157 million, a 6.5% decrease from the RM122,140 million reported in 2018. The decrease was primarily attributable to the impact of lower average realized prices for petroleum products, chemical products and crude oil, as well as the impact of lower trading activities for crude oil in the downstream segment.

Revenue for the corporate and others segment decreased in 2019 by RM581 million to RM13,674 million, a 4.1% decrease from the RM14,255 million reported in 2018. The decrease was primarily attributable to lower sales of land and development properties.

Revenue—Geographical Markets.

PETRONAS' revenue by the geographical markets of customers is divided into Rest of Asia, Malaysia, Japan, South Africa, and Rest of the World. Revenue from Malaysia made the largest contribution to revenue, followed by revenue from Rest of Asia and South Africa. In 2019, Rest of Asia mainly comprised customers in China, Singapore, India, Korea, Thailand and Indonesia.

The 4.3% decrease in total revenue reported by PETRONAS was mainly attributable to lower revenue from the Rest of Asia and Japan. Revenue from the Rest of Asia decreased by 16.3% to RM70,113 million from RM83,812 million in 2018, mainly due to lower revenue from petroleum products and LNG sales in China and Singapore, in line with the lower average benchmark prices in 2019. Revenue from Japan decreased by 20.0% in 2019 to RM20,760 million from RM25,941 million in 2018, mostly due to lower revenue from LNG sales. These decreases were partially offset by increases in Malaysia and other countries, in particular Azerbaijan.

Cost of Revenue.

Cost of revenue decreased in 2019 by RM2,154 million to RM155,926 million, a 1.4% decrease from the RM158,080 million reported in 2018. The decrease was primarily attributable to lower product and production costs, which decreased by RM6,612 million, primarily as a result of lower average prices and volumes for crude oil in 2019.

Gross Profit and Gross Profit Margin.

PETRONAS' gross profit decreased in 2019 by RM8,559 million to RM84,337 million, a 9.2% decrease from the RM92,896 million reported in 2018. Gross profit margin in 2019 was lower at

35.1%, compared to 37.0% in 2018, primarily because of the decrease in crude oil prices in 2019, which was not accompanied by similar reductions in operating costs and the cost of materials that typically tend to lag crude oil price changes.

Gross profit margin is calculated as gross profit for the year divided by the corresponding revenue for the year and expressed as a percentage.

Selling and Distribution Expenses.

Selling and distribution expenses increased in 2019 by RM514 million to RM7,536 million, a 7.3% increase from the RM7,022 million reported in 2018. The increase was primarily attributable to upward revisions in dealers' commissions on sales of diesel and gasoline in Malaysia, effective from January 2019.

Administration Expenses.

PETRONAS' administration expenses increased in 2019 by RM723 million to RM12,862 million, a 6.0% increase from the RM12,139 million reported in 2018. The increase was primarily attributable to higher depreciation on property, plant and equipment.

Net Impairment (Losses)/ Write-Back.

PETRONAS' recorded net impairment losses in 2019 of RM7,151 million, while in 2018 it recorded net impairment write-back of RM4,753 million. The net impairment losses in 2019 were largely attributable to lower price outlook on certain assets, particularly those in Australia, Azerbaijan and Chad. In 2018, the net impairment write-back was recorded mainly on assets in Egypt, Chad, South Sudan and Malaysia.

Other Expenses.

Other expenses decreased in 2019 by RM302 million to RM2,261 million, an 11.8% decrease from the RM2,563 million reported in 2018. The decrease was primarily attributable to lower foreign exchange losses during 2019, as compared to higher realized foreign exchange losses on shareholders loan repayment in 2018 in relation to PIC.

Other Income.

Other income increased in 2019 by RM330 million to RM5,158 million, a 6.8% increase from the RM4,828 million reported in 2018. This increase was primarily attributable to the reversal of provision of decommissioning, dismantlement, removal or restoration of property, plant and equipment for certain assets.

Operating Profit.

As a result of the factors discussed above, PETRONAS' operating profit decreased in 2019 by RM21,068 million to RM59,685 million, a 26.1% decrease from the RM80,753 million reported in 2018.

Financing Costs.

Financing costs decreased in 2019 by RM973 million to RM3,734 million, a 20.7% decrease from the RM4,707 million reported in 2018, mainly due to interest that was capitalized in 2019 as a result of changes to MFRS123.

Share of Profits After Tax and Non-Controlling Interests of Equity Accounted Associates and Joint Ventures.

Share of profits after tax and non-controlling interests of equity-accounted associates and joint ventures increased in 2019 by RM335 million to RM1,019 million, a 49.0% increase from the RM684 million reported in 2018. The increase was primarily attributable to contributions by associates and joint ventures in the gas and new energy segment.

Profit before Taxation.

PETRONAS' profit before taxation decreased in 2019 by RM19,760 million to RM56,970 million, a 25.8% decrease from the RM76,730 million reported in 2018 for the reasons discussed above.

Tax Expense.

PETRONAS' tax expense decreased in 2019 by RM4,922 million to RM16,498 million, a 23.0% decrease from the RM21,420 million reported in 2018. PETRONAS had an effective tax rate of 29.0% in 2019, higher than the Malaysian statutory rate of 24.0%, primarily attributable to higher non-deductible expenses and the effect of the petroleum income tax. In 2018, PETRONAS had an effective tax rate of 27.9%.

Profit for the Year.

PETRONAS' profit for the year decreased in 2019 by RM14,838 million to RM40,472 million, a 26.8% decrease from the RM55,310 million reported in 2018.

Profit for the Year—Operating Segments.

The following table sets forth, for 2018 and 2019, the consolidated profits of PETRONAS by operating segments, and expresses each as a percentage of PETRONAS' consolidated profit and changes therein for 2018 and 2019.

	Year Ended December 31,				Changes	
	% of Consolidated Profit		% of Consolidated Profit		Amount	%
	2018 (in millions)		2019 (in millions)			
Operating Segments:						
Upstream	26,146	47.3%	22,199	54.8%	(3,947)	(15.1%)
Gas and New Energy	17,196	31.1%	9,780	24.2%	(7,416)	(43.1%)
Downstream	6,814	12.3%	5,166	12.8%	(1,648)	(24.2%)
Corporate and others	7,171	13.0%	4,675	11.5%	(2,496)	(34.8%)
Consolidation adjustments and eliminations	(2,017)	(3.7%)	(1,348)	(3.3%)	669	(33.2%)
Total	RM55,310	100.0%	RM40,472	100.0%	RM(14,838)	(26.8%)

Profit for the year by operating segments includes the inter-segment profit arising from transactions between the operating segments, which is adjusted and eliminated in deriving PETRONAS' consolidated profit for the year discussed above.

Profit for the year for the upstream segment decreased in 2019 by RM3,947 million to RM22,199 million, a 15.1% decrease from the RM26,146 million reported in 2018. The decrease was primarily attributable to lower revenue in line with lower average realized prices, as well as net impairment losses on assets, which were partially offset by lower tax expenses.

Profit for the year for the gas and new energy segment decreased in 2019 by RM7,416 million to RM9,780 million, a 43.1% decrease from the RM17,196 million reported in 2018. The decrease was primarily attributable to net impairment losses on assets and higher product costs, which were partially offset by lower tax expenses.

Profit for the year for the downstream segment decreased in 2019 by RM1,648 million to RM5,166 million, a 24.2% decrease from the RM6,814 million reported in 2018. The decrease was primarily attributable to lower chemical product spreads and lower refining margins, partially offset by the effect of the weakening of the ringgit against the U.S. dollar.

Profit for the year for the corporate and others segment decreased in 2019 by RM2,496 million to RM4,675 million, a 34.8% decrease from the RM7,171 million reported in 2018. The decrease was primarily attributable to lower gain on disposal of investments and lower revenue.

Total consolidation adjustments and eliminations were RM1,348 million in 2019 and RM2,017 million in 2018.

Liquidity and Capital Resources

PETRONAS financed its total funding requirements during the three years ended December 31, 2020—including capital expenditures, satisfaction of debt obligations, investments, taxes, other working capital requirements, dividends and other cash outlays—primarily with funds generated from operations. PETRONAS met the balance of its funding requirements primarily through external borrowings and, from time to time, sales of certain assets.

Cash flows from operating activities were RM40,745 million in 2020, 55.1% lower than the RM90,771 million in 2019, which in turn represented a 5.2% increase from RM86,320 million in 2018. The decrease in 2020 was primarily attributable to operating profit before changes in working capital in 2020 declining by RM40,993 million as compared with the prior year. The increase in 2019 was primarily attributable to more efficient working capital management and lower tax paid in 2019, compared with the prior year.

At December 31, 2020, PETRONAS' cash and cash equivalents and fund investments totaled RM141,311 million, of which RM130,523 million were bank deposits, primarily in ringgit and U.S. dollars in financial institutions in Malaysia. Among these bank deposits, certain deposits were for specified restricted uses, including RM23,213 million which was held for future decommissioning activities of oil and gas properties. Fund investments consist of investments in quoted and unquoted shares and securities inside and outside Malaysia, Malaysian Government securities, and corporate bonds and sukuk. As at December 31, 2018 and 2019, total cash and cash equivalents and fund investments stood at RM181,023 million and RM152,261 million, respectively. The decrease of RM10,950 million as at December 31, 2020 compared to 2019 mainly resulted from dividends paid of RM34,000 million. Similarly, the decrease of RM28,762 million in 2019 compared to 2018 also resulted primarily from dividends paid in 2019 of RM54,000 million.

At December 31, 2020, PETRONAS' other investments, consisting of long-term quoted and unquoted shares, other unquoted securities, corporate private debt securities and short-term marketable securities, totaled RM10,788 million, compared to RM7,447 million and RM10,639 million at December 31, 2018 and 2019, respectively. See notes 17 (Cash and Cash Equivalents) and 11 (Fund and Other Investments) to the financial statements included elsewhere in this Offering Circular for a more detailed breakdown of PETRONAS' cash, cash equivalents, fund investments and other investments.

PETRONAS' total borrowings amounted to RM68,572 million, RM68,738 million and RM88,229 million at December 31, 2018, 2019 and 2020, respectively. At December 31, 2020, PETRONAS' total borrowings were equivalent to 15.4% of its total assets. The increase in total borrowings in 2020 compared to 2019 mainly resulted from issuance of U.S.\$6 billion of bonds in April 2020, which were partially offset by repayment of U.S. \$1.25 billion sukuk. The slight increase in total borrowings in 2019 compared to 2018 was primarily due to the higher recognition of finance lease liabilities arising from PETRONAS' adoption of a change in accounting policy relating to leases following its adoption of MFRS 16, partially offset by repayment of matured capital markets financing of U.S.\$3.0 billion.

For a discussion of the various interest rates applicable to each facility, see note 21 (Borrowings), note 22 (Islamic Financing Facilities) and note 39 (Financial Instruments) to the financial statements included elsewhere in this Offering Circular. As at December 31, 2020, around half of PETRONAS' borrowings are scheduled to mature within five years.

The following table sets forth information with regard to PETRONAS' total contractual cash flows from debt obligations, by currency, at December 31, 2020:

Total Contractual Cash Flows From Debt Obligations⁽¹⁾	2021	2022	2023 - 2025	Thereafter	Total
			(in millions)⁽²⁾		
USD	RM7,269	RM12,993	RM18,646	RM67,333	RM106,241
RM	RM2,306	RM1,321	RM3,591	RM5,167	RM12,385
Euro	RM2,195	—	—	—	RM2,195
CAD	RM1,704	RM46	RM81	RM373	RM2,204
ZAR	RM985	RM272	RM693	RM3,513	RM5,463
CNY	RM8	RM6	RM133	—	RM147
Others	RM601	RM37	RM837	RM325	RM1,800
Total	<u>RM15,068</u>	<u>RM14,675</u>	<u>RM23,981</u>	<u>RM76,711</u>	<u>RM130,435</u>

(1) Includes contractual principal and interest payments.

(2) These amounts are expressed in the ringgit as translated using the relevant Bank Negara Malaysia rate on December 31, 2020.

Restrictions Relating to Funding

PETRONAS' loan agreements and the agreements for its outstanding notes contain a number of covenants that could potentially affect its ability to borrow additional funds, enter into loan agreements or issue new debt securities. These covenants are generally similar to covenants contained in loan agreements and debt securities of similarly situated issuers, and include cross-acceleration provisions, negative pledge provisions and limitations on certain sale-and-leaseback transactions. For a more detailed discussion of these covenants, see note 21 (Borrowings) to the financial statements included elsewhere in this Offering Circular.

Dividends

PETRONAS paid dividends of RM26,000 million in 2018, RM54,000 million in 2019 (including a special dividend of RM24,000 million) and RM34,000 million in 2020 (including an additional dividend of RM10,000 million made to address the unprecedented challenges brought about by the COVID-19 pandemic). The Board of Directors of PETRONAS recommends the level of dividends to its shareholders.

On February 25, 2021, the Board of Directors of PETRONAS declared dividends of RM18,000 million. The dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending December 31, 2021.

Contractual Obligations

The following table summarizes PETRONAS' contractual obligations as at December 31, 2020.

Contractual Obligations ⁽¹⁾	Less than 1 year	Between 1 to 5 years	More than 5 years	Total
	(in millions)			
Capital Commitments ⁽²⁾	RM20,171	RM31,865	RM980	RM53,016
Long-Term Debt Obligations	RM15,068	RM38,656	RM76,711	RM130,435
Other Long-Term Liabilities	RM114	RM955	RM3,986	RM5,055
Total	<u>RM35,353</u>	<u>RM71,476</u>	<u>RM81,677</u>	<u>RM188,506</u>

(1) Includes related contractual interest obligations.

(2) Represents capital commitments that have been approved and contracted for.

Abandonment Costs

PETRONAS makes provisions for decommissioning of upstream oil and gas properties and other property, plant and equipment under which it has legal and contractual obligations. For upstream oil and gas properties in Malaysia, through production sharing contracts ("PSC"), the PSC Contractors have the obligation to undertake these abandonment work as approved/directed by PETRONAS and are required to make abandonment cess contribution for abandonment work as stipulated in the relevant PSC, for the purpose of ensuring the safety and protection of people, environment, assets and reputation in the course of Petroleum Operations. In performing these functions, PETRONAS conforms to international and national laws and conventions, including but not limited to the United Nations Convention on the Law of the Sea, International Maritime Organization standards, Malaysia's Petroleum Development Act 1974 and Exclusive Economic Zone Act 1984. Additionally, PETRONAS also assumes the constructive obligation to fund and/or execute the abandonment works for those oldest PSCs that have either partial or no abandonment provisions, as well as other upstream oil and gas properties that PETRONAS owns.

PETRONAS' liability for the future decommissioning, dismantling, removal and/or restoration of all upstream oil and gas properties in Malaysia was estimated at RM39,764 million as at December 31, 2020). PETRONAS' Asset Decommissioning unit provides the estimates on a yearly basis based on the latest producing oil and gas properties, abandonment strategy reflecting international best practices, advances in technology and Malaysia's experience in decommissioning. PETRONAS established a trust fund, known as the Abandonment Cess Fund, for which a Board of

Trustees was appointed to hold, manage and administer the fund. As at December 31, 2020, PETRONAS has accumulated RM23,213 million in the Abandonment Cess Fund. International PSC arrangements to those where PETRONAS acts as a contractor have largely similar arrangements under Malaysian PSCs, subject to the relevant laws and regulations in the respective countries. For abandonment funding for most of these countries, PETRONAS makes contribution into escrow accounts or other approved accounts.

As part of its efforts to fund abandonment activities not covered by the existing contractual obligations under the PSCs and develop the expertise of Malaysia's oil and gas sector in extending the life of oil and gas assets, PETRONAS recently adopted a late-life assets ("LLA") business model. Under this model, for certain oil and gas assets that are nearing the end of their productive life, PETRONAS is able to award production sharing contracts that offer better terms for the PSC Contractors, which make these assets more attractive for contractors, especially those contractors that specialize in these types of assets. The terms of LLA PSC contracts provide that the PSC Contractors should carry out the relevant decommissioning activities and make contributions of funds towards decommissioning, which PETRONAS expects to provide additional resources for decommissioning work. PETRONAS has awarded one LLA PSC since the model was introduced in 2019.

Contingent Liabilities and Off-balance Sheet Arrangements

PETRONAS provides financial guarantees to banks in respect of banking facilities granted to certain of its subsidiaries, joint ventures and associates. Among these financial guarantees as at December 31, 2020 is a cross guarantee provided by the joint operation company to another joint venture company of PETRONAS under an integrated borrowing structure amounting to RM16,688 million. This amount represents the outstanding loans undertaken by this joint venture company for the purpose of repaying a bridge loan facility and other expenditures used for construction of refinery and steam cracker facilities for the RAPID project. PETRONAS monitors, on an ongoing basis, the operating results of these entities and the loan repayments made by them. For details of financial guarantees, please refer to note 39 of the consolidated financial statements included elsewhere in this Offering Circular. For details of PIC and the RAPID project, see "Business—Downstream Segments—Pengerang Integrated Complex."

Other than the obligations discussed above, PETRONAS did not have any material contingent liabilities or off-balance sheet arrangements as at December 31, 2020.

Capital Expenditures and Other Investments

The following table provides historical information regarding Capital Expenditures and Other Investments.

	Year Ended December 31,			Change (%)	
	2018	2019	2020	2018 v. 2019	2019 v. 2020
(in millions, except for percentages)					
Capital Expenditures and Other					
Investments ⁽¹⁾	RM46,923	RM47,813	RM33,357	1.9%	(30.2%)
Including:					
Domestic	25,416	24,664	17,346	(3.0%)	(29.7%)
International	21,507	23,149	16,011	7.6%	(30.8%)

(1) Consists of expenditure on property, plant and equipment, investment properties, intangible assets and investments.

PETRONAS' capital expenditures relate mainly to its upstream, gas and new energy as well as downstream segments. In 2020, due to the ongoing global spread of the COVID-19 pandemic and volatility in oil prices, PETRONAS took measures to constrain its capital expenditures. Following the adoption of these measures, PETRONAS has been committed to spend domestically, mainly on exploration, development projects and production sustenance in upstream segment and the PIC project. Internationally, the capital expenditures in 2020 were primarily attributable to exploration and development projects in upstream assets and LNG, mainly in Canada. The increase in PETRONAS' capital expenditures in 2019 was primarily attributable to its international growth in the upstream segment, particularly for Brazil; the PIC project; and international LNG, mostly for Canada. Given that a significant portion of PETRONAS' capital expenditures are typically related to major projects, such as those listed above, capital expenditures can vary substantially from year to year as projects are completed and new projects are initiated.

PETRONAS has capital commitments that have been approved by the Board of Directors. The following table sets forth PETRONAS' outstanding approved capital commitments, including both those that have been approved and contracted for and those that have been approved but not contracted for, as at December 31, 2020.

Capital Commitments

	As at December 31, 2020
	<u>(in millions)</u>
Approved and contracted for	RM53,016
Approved but not contracted for	<u>RM113,020</u>
Total	<u><u>RM166,036</u></u>

Commitments that have been approved but not contracted for are subject to change as projects are reviewed or contracts are entered into. PETRONAS' outstanding capital commitments as at December 31, 2020 primarily include oil and gas field developments and LNG projects. As at December 31, 2020, PETRONAS has capital expenditures for 2021 of RM19,855 million that have been approved and contracted for and RM16,893 million in capital expenditures that have been approved but not contracted for. See "*Business—Upstream Segment*," "*Gas and New Energy Segment*" and note 34 (Commitments) to the financial statements included elsewhere in this Offering Circular.

Since capital commitments, especially those that have been approved but not contracted for, may be subject to change, and because PETRONAS may from time to time decide to undertake additional capital projects, actual capital expenditures may be more or less than the amounts presented and discussed in the table and paragraph above. PETRONAS reviews its capital commitments at reasonable intervals, including those for 2021, to remain focused on its cash generators, expand its core business portfolio and explore new opportunities in specialty chemical products and new energy. This allocation of capital expenditures involved, and will continue to involve, a reassessment of economic conditions, project viability and a focus on improved cost optimization.

PETRONAS expects to fund its future capital expenditures through funds generated from operations, utilization of its current cash balances, drawdowns under existing term loans and additional external borrowings.

Risk Management

As an integrated energy company, PETRONAS is exposed to various risks that are particular to its upstream, downstream, and gas and new energy businesses and its operating environment. PETRONAS has in place an ongoing process for managing significant risks affecting the achievement of its business objectives, which includes identifying, evaluating, managing and monitoring these risks.

Risk management and its ongoing improvement in strengthening the quantification, review and monitoring of all significant risk areas (including credit, market, project, country, plant and facilities, operations, health, safety, environment and information and communication technology) remain a key focus of the Board of Directors in building a successful and sustainable business.

PETRONAS' Risk Committee provides oversight and in-depth discussion on risk management matters at the board level. The Risk Committee reviews risk management policies and practices, assesses principal risks and risk appetite and oversees the adequacy and effectiveness of the risk management system to monitor and manage risks in PETRONAS. The Risk Management Committee is in place to serve as a central platform to assist management in identifying principal risks at the enterprise level and providing assurance on the effective implementation of risk management practices with guidance and directions from the PETRONAS Executive Leadership Team and the Risk Committee. The Risk Management Committee also promotes sound risk management practices through the sharing of information and best practices to enhance the risk culture across PETRONAS.

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

PETRONAS endeavors to become a risk-resilient organization, through the implementation of the PETRONAS Risk Policy, enhanced by a “tone from the top” commitment to management risk culture and the need to be agile in managing risk. To support the implementation of the PETRONAS Risk Policy and to provide its personnel with an integrated and holistic view of its overall strategy for managing risk within its various businesses, PETRONAS has introduced a resiliency model that provides a framework focusing on three key areas of risk management: enterprise risk management, crisis management and business continuity management. This resiliency model is supported by a number of more granular risk frameworks and guidelines that have been implemented to govern, guide and institutionalize PETRONAS' risk management practices and, together with the resiliency model, aim to further entrench a risk management culture across PETRONAS.

As a risk management strategy, PETRONAS Financial Policy sets out clear principles towards achieving financial resiliency. By being financially resilient, the organization is able to weather all business cycles and maintain a consistently strong financial position with a robust business portfolio and strong cash generators. PETRONAS relies on natural hedges arising through its business transactions such as buying and selling products in the same currency. Where needed, PETRONAS uses approved financial derivatives such as forwards and swap contracts to provide greater predictability of financial results and to mitigate downside risk or the negative impact of movements in financial risk factors to its key financial performance, such as operational cash flow, revenue, margin and profitability. Hedging strategies are considered in managing underlying exposures (such as foreign exchange risk, interest rate risk or price risk) that are firm and committed, as well as underlying exposures that are highly probable or anticipated. Decisions to hedge may differ from

entity to entity within PETRONAS based on each entity's strategic objectives and risk appetite towards the underlying exposures. PETRONAS ensures that adequate internal governance and operational risk controls are in place for the proper authorization, execution, monitoring and reporting of its hedging strategy and the use of derivatives by entities within PETRONAS, in addition to compliance with pertinent governing regulations and laws. PETRONAS does not engage in speculative derivative activities or derivative trading activities.

The Covid-19 pandemic and low oil price triggered specific financial risk strategies to manage the impact, including continuous monitoring of key events surrounding COVID-19, developments in the oil and gas industry, and the global economy at large as well as instill greater discipline in resource utilization and cash management.

Counterparty Risk. Counterparty risk includes credit, contractor and partner risks arising from marketing and trading, procurement and joint ventures with counterparties (including financial institutions, corporates, joint venture partners, customers and contractors) failing to perform contractual or financial obligations, risks of non-compliance with regulations, and risks of defaults on receivables and fund investment on financial instruments (e.g. money market, fixed income). Such failures to perform could be due to circumstances such as bankruptcy, financial constraints and/or political restrictions.

PETRONAS has established specific methodologies to assess different exposures arising from counterparties' performance risk that are applicable across the organization. The PETRONAS Credit Risk Rating System ("PCRRS"), assesses potential and existing customers' creditworthiness. For contractors, PETRONAS has in place vendor financial evaluation and contractor risk assessment methodologies that assess potential contractors' performance risk. For joint venture partners, PETRONAS also has in place Partner and partnership risk assessment methodology to assess potential partners' performance risk. PETRONAS has developed a comprehensive standard Know-Your-Counterparties to facilitate assessments on performance risks arising from all types of counterparties.

Market Risk. Market risk is the risk of loss arising from changes in the level or volatility of market prices, which in the case of PETRONAS primarily results from changes in commodity markets, as well as from changes in interest rates and in foreign exchange markets. PETRONAS uses "value at risk" ("VaR") as one of its main market risk measurement tools. VaR is a statistical approach that estimates possible losses for a given portfolio over a certain period at a particular confidence level using past market movement data. Although past market movements are not necessarily a good indicator of future events, PETRONAS believes VaR analysis is generally appropriate for its purposes in managing its market risk.

Procurement Risk. Procurement risk is governed by the PETRONAS Tender and Contract Administrative Manual established for group-wide adoption. PETRONAS' Group Procurement Leadership Team provides stewardship on overall strategic direction of group procurement, including resolving key issues of mutual concern and interest with business. Oversight on tendering is obtained through various tender committees while contractors' and/or vendors' performance matters are deliberated at the Contractor Performance Review and Appeal Committee and Vendor Evaluation Committees. Group Procurement has also established clearly defined authorization procedures for awarding tenders and procurement transactions, as well as procurement assurance programs to assess compliance of the procurement process with regards to the comprehensiveness and effectiveness of the procurement management implementation.

Project Risk. With respect to each new project into which it enters, PETRONAS conducts a multi-phased decision-making process under PETRONAS' Project Management System ("PPMS").

The PPMS is designed to retain and maximize project value across a project's life cycle from the identification of business opportunity until operationalization of the project. Under the PPMS framework, PETRONAS undertakes a number of project risk assessment and assurance reviews during the course of each project at critical points in the project timeline, which are designed to reduce the risk of unexpected technical, commercial and/or other factors affecting project viability.

Country Risk. PETRONAS has established its Country Risk Management Framework and Guideline that prescribes oversight structure, roles and responsibilities, and assessment tools in ensuring that country risk of international investments are managed in a systematic and structured manner to support decision making. It also prescribes requirements on pre-entry, in country and exit management as well as preparedness during a crisis.

Plant and Facilities Risk. Plant and facilities risk management in PETRONAS is governed by management systems, guidelines and standards that prescribe the principles and structured processes in managing operational risks in accordance with the PETRONAS Resiliency Model as well as the specific system and work processes required by the PETRONAS' plant and facilities over the asset life cycle in order to operate safely and achieve the targeted reliability, integrity, and performance. It guides plant and facilities to systematically identify, assess, control, monitor and review operational risks to improve the ability to reduce risks. PETRONAS also has in place emergency, crisis and business continuity plans for foreseeable emergencies.

Health, Safety, Security & Environment Risk. HSSE governance for PETRONAS is guided by the group HSSE Policy and supported by PETRONAS HSSE Mandatory Control Framework ("MCF"), while PETRONAS Security Policy is supported by the Security Management System ("SeMS") with Minimum Mandatory Security Standard ("M2S2"). HSSE MCF includes clear requirements on operational safety, environment and health for consistent and effective group-wide implementation. M2S2 outlines the minimum security standards required to effectively manage security risks and protect PETRONAS' assets. PETRONAS has also embedded, as part of its key strategies, the aspiration to achieve net zero carbon emissions by 2050. Operating discipline and sustainable development are the two aspects pertinent to PETRONAS in achieving excellent HSSE performance, towards being a progressive energy and solutions partner, enriching lives for a sustainable future.

A risk-based group HSSE assurance program is carried out to provide independent assurance on the adequacy and effectiveness of HSSE controls and compliance to HSSE regulatory requirements, wherever PETRONAS operates.

In supporting the PETRONAS Corporate Command Centre, which was established following the COVID-19 outbreak, the PETRONAS Pandemic Response Team works alongside government offices to implement timely and proactive measures to curb and manage the risk of transmission in protecting people's safety and health.

Digital Risk. PETRONAS digital and information security is guided by information and communication technology principles, standards and guidelines to uphold governance across PETRONAS in the areas of enterprise data, enterprise architecture and digital project delivery. Additionally, PETRONAS' enterprise cyber security governance framework has been developed based on the leading industry standards and the best practices, which provides a single consolidated view of the frameworks, standards and guidelines required to govern and manage cyber security across PETRONAS. PETRONAS Group Digital has also established a security operations center and its related cyber security monitoring, threat hunting and incident management capabilities to protect PETRONAS 24/7 from internal and external threats for IT assets. In order to support working from

home during the COVID-19 pandemic, PETRONAS has deployed enhanced cyber security capabilities to protect it against a wider attack surface. PETRONAS Group Digital also has in place a disaster recovery plan for identified critical business applications. Scheduled drills and exercises are conducted annually to ensure readiness in the event of an IT disaster.

Reputation Risk. The PETRONAS Reputation Management Framework outlines the guidance and requirements for consistent and integrated reputation management process across PETRONAS. Risks and issues impacting PETRONAS' reputation are constantly monitored and reported to management in providing insight for formulation of effective response strategies. PETRONAS Group Strategic Communications conducts assurance activities to review adequacy and effectiveness of controls for reputation management activities across its domestic and international operations.

Human Capital Risk. The Group Human Resources Management Leadership Team is the main platform to deliberate and decide on matters related to human resource management strategies, investments, policies, guidelines, project prioritization and performance review. Matters related to HRM strategies, policies reviews and enhancement are further deliberated at the Executive Leadership Team People Development Committee. In addition, PETRONAS established Group Human Resource Management Governance, Risk and Compliance Committee to deliberate and sanction/approve high-impact risk and assurance initiatives for implementation while the PETRONAS Talent Council deliberates on issues and risks impacting PETRONAS corporate critical positions. In addition, PETRONAS conducts human capital assurance programs to assess compliance and effectiveness of its human resource management's internal control based on established governing documents, as well as to address business dynamics, and sustain continuous talents at all levels to achieve PETRONAS' business strategies.

BUSINESS

OVERVIEW

PETRONAS is a leading multinational energy company with operations in over 50 countries. Established in 1974 under the Malaysian Companies Act, 1965 (as repealed and replaced by the Malaysian Companies Act, 2016), PETRONAS is wholly-owned by the Government of Malaysia; its powers are derived from the Petroleum Development Act of 1974, which vests in PETRONAS the “*entire ownership in, and the exclusive rights, powers, liberties and privileges of exploring, exploiting, winning and obtaining petroleum whether onshore or offshore of Malaysia.*” As at January 1, 2021, PETRONAS had discovered reserves and resources of 8.55 bboe of 2P reserves and 15.27 bboe of 2C contingent resources. For details, see “—*Upstream Segment—Discovered Reserves and Resources.*”

PETRONAS is a fully integrated energy company engaged in a broad spectrum of upstream and downstream oil and gas, LNG and new energy, chemical, and other operations. PETRONAS conducts its operations directly and through its subsidiaries and associated companies.

- *Upstream Segment.* PETRONAS’ upstream segment encompasses exploration, development and production of crude oil and natural gas, covering a broad portfolio of resources and play types in more than 20 countries.
- *Gas and New Energy Segment.* PETRONAS’ gas and new energy segment is a one-stop center for cleaner energy solutions, with a structure that reflects PETRONAS’ commitment to advance as a cleaner energy solutions partner. This segment includes the global liquefaction, marketing and trading of LNG; the processing, marketing and trading of natural gas products in Malaysia and international markets; the operation of gas infrastructure and utilities, as well as renewable energy power supply, which is currently focused on providing solar and wind power to commercial, industrial and utility customers in Malaysia and internationally.
- *Downstream Segment.* PETRONAS’ downstream segment comprises multiple businesses and plays a strategic role in enhancing value to molecules through an integrated operation, underpinned by operational and commercial excellence. The segment’s diverse activities include refining, trading, and marketing of crude oil and petroleum products as well as manufacturing and marketing chemical products for local and international consumption.
- *Corporate and Others Segment.* PETRONAS’ corporate and others segment primarily includes its logistics and maritime sector, property sector, and corporate functions, including research, technology and digital.

For the years ended December 31, 2018, 2019 and 2020, PETRONAS had consolidated revenues of RM250,976 million, RM240,263 million and RM178,741 million, respectively, and consolidated profit for the year attributable to shareholders of PETRONAS of RM47,865 million and RM33,021 million in 2018 and 2019, respectively, and a loss for the year attributable to shareholders of RM23,851 million in 2020.

UPSTREAM SEGMENT

PETRONAS’ upstream presence extends across 26 countries globally, with 247 producing fields, 432 offshore platforms, and 30 floating facilities as of December 31, 2020. The upstream

segment also promotes the sustainable and orderly development of Malaysia's petroleum resources through 91 active petroleum arrangement contractors ("**PAC**"), including within the Malaysia-Thailand Joint Development Area ("**MTJDA**"). Internationally, PETRONAS' upstream segment, through various arrangements, is involved in 73 petroleum arrangement contractors.

DISCOVERED RESERVES AND RESOURCES

As at January 1, 2021, PETRONAS had discovered reserves and resources of 8.55 bboe of 2P reserves and 15.27 bboe of 2C contingent resources. PETRONAS registered a three-year average 1P reserves replacement ratio of 1.6 as at January 1, 2021. At 2020 production levels, PETRONAS estimates that these discovered reserves and resources, comprising both domestic and international discovered reserves and resources, will last approximately 39 years, estimated on a 2P and 2C level based on the three-year rolling average. For information relating to how PETRONAS calculates its domestic and international reserves, see "*Presentation of Financial Information and Other Data*."

PETRONAS' discovered reserves and resources framework, governance and procedures, known as the PETRONAS Reserves and Resources Management System ("**PRrMS**"), is closely aligned with globally recognized industry standards, guided by the Society of Petroleum Engineers' Petroleum Resources Management System. The PRrMS governance stipulates that PETRONAS' management can call for a fully independent third-party audit at least once every four years or more often, in the event of any special requirements. In cases where a fully independent third-party audit is not conducted, PETRONAS' reserves and resources department is required to perform independent audits on PETRONAS' hydrocarbon portfolio to assess the integrity and robustness of PETRONAS' reserves and resources as reported in its Annual Review of Petroleum Resources to be approved by the PETRONAS' Executive Leadership Team. In 2018 and 2019, PETRONAS appointed Sproule International Ltd ("**Sproule**"), a global energy consulting firm, as its independent oil and gas reserves auditor, based on a competitive bidding process. The last independent third-party audit was conducted in April 2019, and the scope of audit covered by this fully independent third-party audit included PETRONAS' reserves and contingent resources base and the ranges associated with the subsurface uncertainties as at January 1, 2019, as well as the net present value ("**NPV**") of PETRONAS' total entitlement of reserves and contingent resources as of the same period. The following is Sproule's audit opinion in respect of PETRONAS' reserves and contingent resources as at January 1, 2019:

"Based on the results of our audit, it is our opinion that PETRONAS' internally generated 1P, 2P and 3P crude oil, natural gas and natural gas products Reserves and the related NPV_g value (KPBI basis), and the 1C, 2C and 3C crude oil, natural gas and natural gas products Contingent Resources and the related NPV_g value (KPBI basis) are, in aggregate, reasonable, and have been prepared in accordance with generally accepted oil and gas engineering and evaluation practices as set out in the PRrMS."

PETRONAS' estimated volumes came within +/- 0% of Sproule's estimates for "2P" (proved plus probable reserves) and +/- 3% for "2C" (best estimate of contingent resources) for the data as at January 1, 2019. These results demonstrate the integrity and robustness of PETRONAS' internally generated reserves and contingent resources estimates.

Although no fully independent third-party reserves audit was conducted in 2020, PETRONAS believes the same rigor and standards as applied by third-party auditors were upheld by PETRONAS' reserves and resources department in assuring the integrity and robustness of PETRONAS' reserves and resources estimates as at January 1, 2021. For the finalization of the Annual Review of Petroleum Resources as at January 1, 2021, a total of 81 fields were audited between March and

August 2020 by PETRONAS' reserves and resources department, covering approximately 70% of the top NPV fields, and approximately 65% of the 2P and 2C fields. These fields span PETRONAS' operations in 11 countries (including Malaysia) and 44 contracts.

Discovered Reserves and Resources by Region

The following table sets forth PETRONAS' domestic and international discovered reserves and resources as at January 1 for each of the years from 2018 through 2021:

PETRONAS' Discovered Reserves and Resources (bboe)	As at January 1,											
	2018			2019			2020			2021		
	1P	2P	3P	1P	2P	3P	1P	2P	3P	1P	2P	3P
Reserves⁽¹⁾												
Malaysia	3.16	4.88	6.80	3.29	4.95	6.61	3.75	5.77	7.81	3.28	5.25	7.50
International	1.18	2.11	2.47	1.67	3.39	3.99	2.10	3.47	4.20	2.27	3.30	4.15
Total	4.34	6.99	9.27	4.97	8.34	10.60	5.85	9.24	12.01	5.55	8.55	11.65
Contingent Resources⁽¹⁾	1C	2C	3C	1C	2C	3C	1C	2C	3C	1C	2C	3C
Malaysia	7.02	10.43	14.27	6.15	9.21	12.37	6.09	9.14	13.01	6.03	9.01	12.96
International	5.05	7.24	9.31	4.00	5.88	7.90	4.40	5.94	7.84	4.50	6.26	8.29
Total	12.08	17.67	23.59	10.14	15.09	20.27	10.49	15.08	20.85	10.53	15.27	21.25

(1) In each table in this Offering Circular that sets forth discovered reserves, "1P" refers to "proved reserves," "2P" refers to "proved plus probable reserves," and "3P" refers to "proved plus probable plus possible reserves." "1C" refers to "low estimate of contingent resources," "2C" refers to "best estimate of contingent resources," and "3C" refers to "high estimate of contingent resources." For more information, see "Presentation of Financial Information and Other Data—Oil and Gas Reserves."

Malaysia. As at January 1, 2021, PETRONAS had discovered reserves and resources of 5.25 bboe of 2P reserves and 9.01 bboe of 2C contingent resources in Malaysia. The additions in PETRONAS' discovered resources in Malaysia from 2018 to 2020 were primarily attributable to its discoveries in Bunga Tasbih, Tinggi-M, Jelawai, Lang Lebah, Gemilang, Bunga Saffron, Mong, Serdam, Benum, Timi, Tepat, Pepulut, Ginseng, Patawali, Bunga Kangsar, Teratai H5A and Merpauh.

International. As a result of its targeted and disciplined international expansion strategy, as at January 1, 2021, PETRONAS had discovered reserves and resources of 3.30 bboe of 2P reserves and 6.26 bboe of 2C contingent resources internationally. The additions in PETRONAS' international discovered resources in 2020 were primarily due to its new discoveries overseas, such as discoveries in the U.S. Gulf of Mexico and Salina Basin in Mexico, as well as in Suriname, while in 2018 and 2019 the additions included discoveries in Indonesia, Egypt and Gabon and acquisitions in Brazil and Oman. PETRONAS' international resources include its share of the resources located in the MTJDA, an economic zone located in the lower Gulf of Thailand that was established to enable the joint development of natural resources by the Malaysian and Thai governments, with each country sharing all costs and revenue on a 50:50 basis. See "—Upstream Segment—International E&P Operations."

Discovered Reserves and Resources by Hydrocarbon Type

The following table sets forth PETRONAS' discovered reserves and resources by hydrocarbon type as at January 1 for each of the years from 2018 through 2021:

As at January 1,												
PETRONAS' Discovered Reserves and Resources (bboe)												
	2018			2019			2020			2021		
Reserves ⁽¹⁾	1P	2P	3P	1P	2P	3P	1P	2P	3P	1P	2P	3P
Natural Gas	3.19	5.17	6.77	3.43	5.97	7.55	4.12	6.63	8.57	3.98	6.21	8.41
Liquids	1.15	1.82	2.50	1.55	2.37	3.05	1.73	2.61	3.44	1.57	2.34	3.24
Total	4.34	6.99	9.27	4.97	8.34	10.60	5.85	9.24	12.01	5.55	8.55	11.65
Contingent Resources ⁽¹⁾	1C	2C	3C	1C	2C	3C	1C	2C	3C	1C	2C	3C
Natural Gas	10.02	14.56	19.41	8.47	12.63	16.90	8.59	12.35	17.09	8.47	12.23	17.01
Liquids	2.06	3.11	4.18	1.67	2.46	3.38	1.90	2.73	3.76	2.06	3.04	4.24
Total	12.08	17.67	23.59	10.14	15.09	20.27	10.49	15.08	20.85	10.53	15.27	21.25

(1) In each table in this Offering Circular that sets forth discovered reserves, "1P" refers to "proved reserves," "2P" refers to "proved plus probable reserves," and "3P" refers to "proved plus probable plus possible reserves." "1C" refers to "low estimate of contingent resources," "2C" refers to "best estimate of contingent resources," and "3C" refers to "high estimate of contingent resources." For more information, see "Presentation of Financial Information and Other Data—Oil and Gas Reserves."

As at January 1, 2021, PETRONAS had 37.23 tscf of 2P reserves and 73.38 tscf of 2C contingent resources of natural gas, as well as 2.34 bstb of 2P reserves and 3.04 bstb of 2C contingent resources of liquids.

DOMESTIC E&P OPERATIONS

PETRONAS actively shapes and enables the growth of Malaysia's E&P industry to maximize the value of hydrocarbon resources throughout the exploration, development and production of oil and gas life-cycle. As at December 31, 2020, Malaysia had 600,282 square kilometers of onshore and offshore acreages available for oil and gas exploration, of which 256,807 square kilometers were covered by production sharing and risk service contracts. As at December 31, 2020, PETRONAS had approximately 90 active production sharing contracts in Malaysia and had awarded a total of 12 new production sharing contracts from 2018 to 2020. During this period, PETRONAS made more than 19 discoveries within Malaysian waters, which have resulted in additional resources of 0.62 bboe.

Until 1993, oil and gas exploration and production activities in Malaysia took place in the broad continental shelf, which provides favorable conditions for oil and gas exploration. Within this shelf, five major petroleum-bearing sedimentary basins in Malaysia have been identified. The water depth of these areas ranges from 25 to 200 meters. Malaysia's existing oil and gas fields are mainly located offshore within its continental shelf. As at December 31, 2020, cumulative exploration activities in the continental shelf had resulted in discovery of 196 oil fields and 311 gas fields.

To monetize the full potential of Malaysia's oil and gas resources, PETRONAS has become increasingly focused on sustaining future national production by developing Malaysia's oil and gas resources located in geologically more complex, high-risk and higher-cost acreages, including

deepwater blocks, high-pressure high-temperature formations and acreages with high CO₂. Malaysia's deeper offshore areas, defined as those with water depths of 200 meters or more, have been open to oil and gas exploration since 1995 and, as at December 31, 2020, PETRONAS had 19 existing deepwater production sharing contracts, which had been awarded to a variety of multinational oil and gas companies. Malaysia's first deepwater production, from the Kikeh field, began in 2008, followed by the Gumusut-Kakap field and the Kebabangan field in 2014 and, most recently, the Malikai field in 2016.

Since 2012, PETRONAS has reduced GHG emissions through its concerted efforts to reduce flaring and venting in the upstream segment, in both its Malaysian and international operations. In line with its commitment towards achieving net zero carbon emissions by 2050, PETRONAS is implementing projects for zero continuous venting and flaring of hydrocarbon at its assets, with an estimated total gas recovery projection of about 33 mmscfd and total projected GHG reduction of approximately 2 million tCO_{2e} every year. In addition to its efforts to increase energy efficiency, PETRONAS is focusing on carbon capture, utilization and storage to reduce its GHG emissions. PETRONAS intends to apply carbon capture, utilization and storage to balance its remaining emissions and help deliver PETRONAS' ambition of achieving net zero carbon emissions by 2050. PETRONAS is currently testing and developing this new technology and building capabilities in this emerging field. PETRONAS expects to deploy its first carbon capture and storage technology in an offshore high CO₂ fields development by 2025.

Production Sharing Contracts

PETRONAS typically carries out its exploration, development and production activities in Malaysia through production sharing contracts operated by its PACs, mostly with international oil and gas companies and PETRONAS' wholly-owned subsidiaries, including PETRONAS Carigali, E&P Malaysia Venture Sdn. Bhd. ("**EPMV**") and Vestigo Petroleum Sdn Bhd ("**Vestigo**"). By using production sharing contracts, PETRONAS can insulate itself from the capital costs and risk of failure associated with exploration activities, while maintaining a significant share in any commercial discovery that is produced through its entitlements under these arrangements.

PETRONAS' production sharing contracts are similar to those in which multinational oil and gas companies enter with other host countries and partners. Each contract obligates the relevant PSC Contractor to provide all the financing and bear all the risk of exploration, development and production activities in exchange for a share of commercial production. One exception to this structure is for contracts with PETRONAS Carigali, which has a carried interest during the exploration phase in most of its production sharing contracts signed with PETRONAS after 1985, as further described below. As in most international production sharing contracts, PETRONAS' PSC Contractors are allowed to recover specified capital and operating costs in the form of produced oil or gas (such oil or gas is referred to as "cost" oil or gas) from total oil and gas produced from the contracted area, after deduction of cash payments to governments, up to a maximum recovery limit specified in the production sharing contract. PETRONAS satisfies such cash payment obligations using disposal proceeds from payments in kind of the total oil and gas produced in the contract area. The remainder of the oil or gas produced ("profit" oil or gas) is shared between the PSC Contractor and PETRONAS on a ratio basis that is dependent upon the volume of oil or gas produced as provided for the respective production sharing contracts.

PETRONAS further benefits from the production sharing contracts through ownership of exploration and production data and all the other assets acquired and used by the PSC Contractors in the performance of their production sharing contracts. The PSC Contractors have the right to use the assets for the duration of the production sharing contracts. The value of those assets is not reflected on the balance sheet of PETRONAS.

As at December 31, 2020, PETRONAS had approximately 90 production sharing contracts in effect. A production sharing contract may be awarded to a single PSC Contractor or a consortium of PSC Contractors, and one PSC Contractor may be party to several production sharing contracts. PSC Contractors exploring for oil and gas in Malaysian waters as at December 31, 2020 included Shell, Total SA. (“**Total**”), JX Nippon Oil & Gas Exploration Ltd., Hess, Kebabangan Petroleum Operating Company Sdn. Bhd., and PTT Exploration and Production or their subsidiaries.

PETRONAS signed its first group of production sharing contracts in 1976 with subsidiaries of what are now ExxonMobil Corporation and Shell, replacing the then-existing concession agreements with PSCs. Contracts signed between 1976 and 1985 provide for terms similar to the 1976 production sharing contracts. In 1985, PETRONAS revised the terms of its production sharing contracts to allow for accelerated cost recovery and improved sharing ratios of profit oil and gas for the PSC Contractors. The improved fiscal regime attracted substantial exploration investment into Malaysia.

To promote exploration in offshore areas with water depths of 200 meters or more, PETRONAS introduced the “deepwater” production sharing contract in 1993. The terms of the deepwater contract take into account the higher risks and investment involved in oil and gas exploration and production in deepwater areas and incorporate several fiscal and non-fiscal incentives. Fiscal incentives for the PSC Contractor under these contracts include accelerated cost recovery and improved sharing ratios, while non-fiscal incentives include longer exploration, development and production periods.

Under the terms of most production sharing contracts in Malaysia signed after 1985, a subsidiary of PETRONAS, typically PETRONAS Carigali, participates as a PSC Contractor with a minimum interest of 15% in the blocks operated by other PSC Contractors. In these production sharing contracts, PETRONAS’ subsidiary’s interest as a PSC Contractor is “carried” from the time the contract is signed until the completion by the other PSC Contractors of specified work commitments or fulfillment of minimum financial and drilling commitments or commercial success (the “**carried interest period**”). During the carried interest periods in production sharing contracts involving PSC Contractors other than just PETRONAS’ subsidiary, all exploration and other costs are borne by the PSC Contractors other than a PETRONAS’ subsidiary. Upon the expiration of the relevant carried interest period, PETRONAS’ subsidiary must determine whether to continue its participation in the production sharing contract or to opt out of the contract. If PETRONAS’ subsidiary exercises its option to retain its interest in the contract after the carried interest period, it bears the costs of future operations in proportion to its participating interest in the production sharing contract. In some production sharing contracts, PETRONAS Carigali participates as the operator and it carries its wholly-owned subsidiaries EMPV and Vestigo during the carried interest periods. PETRONAS Carigali bears all exploration and other costs until the expiration of the relevant carried interest period.

The production sharing contracts are for specified durations. For shallow-water blocks, exploration periods generally last for four years and development periods last for four years, while for deepwater blocks, exploration periods generally last for five years and development periods last for six years. If no commercial discovery is made in a block by the end of the exploration period or if a producing block fails to produce a commercially viable quantity for a continuous one-year period, a PSC Contractor must relinquish that block, and PETRONAS may then re-award the block under a new production sharing contract. If a commercial discovery in a field is made, the development period for that field begins to run from the date of that commercial discovery.

During the development period, the PSC Contractor will engage in activities designed to enable the commercial production of hydrocarbons, such as the drilling of wells and the construction of

facilities. The production phase of the production sharing contracts, with respect to each discovered field, generally lasts for a period of up to 20 years for shallow-water blocks and up to 25 years for deepwater blocks, in each case from the first date of commercial production from such field. If a gas field is discovered, the production sharing contracts provide for an additional holding period of up to five years between the exploration and development phases, and the total contract period may be extended to take into account the holding period and additional development period.

In 1997, PETRONAS introduced new fiscal terms for new production sharing contracts relating to shallow-water blocks based on the “revenue-over-cost” concept to encourage additional investment in Malaysia’s upstream sector. The revenue-over-cost production sharing contract allows the PSC Contractors to accelerate their cost recovery if they perform within certain cost targets. The underlying principle is to allow a PSC Contractor a higher share of production when the contractor’s profitability is low and to increase PETRONAS’ share of production when the contractor’s profitability improves. The PSC Contractor’s profitability at any time is measured by the revenue-over-cost index, which is the ratio of the PSC Contractor’s cumulative revenue (calculated as the sum of the PSC Contractor’s cost oil and profit oil or cost gas and profit gas, as the case may be, less certain payments made to PETRONAS when the value of the crude oil or gas exceeds a certain base price, as determined under the contract) over the PSC Contractor’s cumulative costs. As at December 31, 2020, 58 revenue-over-cost production sharing contracts were in effect with 18 oil and gas operators.

To spur further growth in its brown-field resources, PETRONAS developed and implemented the concept of progressive volume-based production sharing contract in 2012. This type of production sharing contract addresses the current challenges of developing brown-field resources, which include maturing oil resources, declining levels of oil production, higher costs and higher subsurface risks. This production sharing contract also adopts a progressive profit-sharing model based on cumulative volume to incentivize PSC Contractors to pursue further upsides in matured fields. Under this type of production sharing contract, no threshold limit is set by PETRONAS for oil exploration and production, enabling PSC Contractors to earn higher profits as the hydrocarbon production increases. As at December 31, 2020, three progressive volume-based production sharing contracts were in effect with two oil and gas operators.

The following table summarizes the evolution of the basic terms of PETRONAS’ production sharing contracts:

Allocations⁽¹⁾	1985 PSC (Shallow-Water Blocks)	Deepwater Blocks⁽²⁾	Revenue-Over-Cost (R/C)⁽³⁾ and Progressive Volume Based⁽⁴⁾
Cash payment or payment in kind (% of gross production)	10%	10%	10%
Cost oil (% of gross production)	50%	70% to 75%	Maximum 80%
Cost gas (% of production available for sale)	60%	60%	Maximum 80%
Profit oil and gas (range depending upon volume of production):			
Oil	Maximum 50%	Maximum 86%	Maximum 90%
Gas	Maximum 50%	Maximum 60%	Maximum 90%

(1) Allocation percentage refers to PSC Contractor’s share of production, which includes cost oil and gas and profit oil and gas.

(2) Applicable for deepwater areas with water depth of 200 meters and more.

- (3) Includes “High-Pressure High-Temperature” production contract for operationally challenging conditions of extreme pressure and high temperature deep reservoirs. Contractor profitability is based on revenue-over-cost index.
- (4) Contractor’s profit share progressively increases based on cumulative volume.

As part of its efforts to fund abandonment activities not covered by the existing contractual obligations under the PSCs and develop the expertise of Malaysia’s oil and gas sector in extending the life of oil and gas assets, PETRONAS recently adopted a late-life assets (“LLA”) business model. Under this model, for certain oil and gas assets that are nearing the end of their productive life, PETRONAS is able to award production sharing contracts that offer better terms for the PSC Contractors, which make these assets more attractive for contractors, especially those contractors that specialize in these types of assets. The terms of LLA PSC contracts provide that the PSC Contractors should carry out the relevant decommissioning activities and make contributions of funds towards decommissioning, which PETRONAS expects to provide additional resources for decommissioning work. PETRONAS has awarded one LLA PSC since the model was introduced in 2019.

Small-Field Asset Commercial Arrangement

In 2020, as part of the continuous commercial innovations implemented following the introduction of PSC arrangements in 1976, PETRONAS introduced the Small Fields Asset (“SFA”) commercial arrangement, as a new set of fiscal terms that are customized for small field opportunities to improve returns to investors. The SFA commercial arrangement is applicable for fields with less than 15 mmstb of oil or less than 200 bscf of gas. Currently, there are more than 200 discovered resource opportunities ready to be monetized through these arrangements. These discovered resource opportunities are in matured basins, and accordingly there is a good understanding and knowledge of the subsurface. Despite the small volumes involved, this knowledge, coupled with these fields’ proximity to existing infrastructure, is expected to improve the ability to develop these fields. PETRONAS believes its SFA commercial arrangement can be a platform to attract investments from mid-cap companies, small independent businesses, and new players to Malaysia in developing these fields. The SFA commercial arrangement includes a fiscal model and a staggered development approach intended to help the investors developing these fields to manage their investment risks. As compared with other PSC arrangements, the non-fiscal aspects of the SFA commercial arrangement are simplified during implementation, providing greater empowerment to investors. PETRONAS believes the SFA commercial arrangement can play a significant role in attracting niche oil and gas players, who will now be able to operate at a much lower cost, in successfully monetizing these undeveloped discovered resources in Malaysia.

Exploration and Development

Exploration and development activities have been and continue to be actively pursued in Malaysia by PETRONAS and its PSC Contractors, with 43 wells drilled in the three-year period ended December 31, 2020 and a number of major discoveries having been made, including Lang Lebah, Timi, Patawali and Tepat.

PETRONAS currently focuses its natural gas development activities in Malaysia on the development of the North Malay Basin Phase 2, including the Bunga Anggerik and Bunga Zetung fields and the Gorek, Larak and Bakong fields.

PETRONAS’ current focus in its oil development activities in Malaysia is on the Jitang field, the Malikai Phase 2 and Gumusut Kakap Phase 3 deepwater development, and redevelopment/infill drilling activities at St Joseph Barton and South Furious fields.

The following table shows the seismic data and other exploration, development and production activity undertaken by the PSC Contractors in Malaysia for each of the years in the three-year period ended December 31, 2020:

	Year ended December 31,		
	2018	2019	2020
Seismic data acquisition (line km) ⁽¹⁾			
2D	340	0	0
3D	630,307	768,165	519,488
Wells ⁽²⁾			
Exploration	15	12	10
Appraisal	4	2	0
Development ⁽³⁾	63	109	78
Exploration, development and production investment (in RM billions) ⁽⁴⁾	29.1	32.8	35.1

- (1) Seismic data, which is measured in terms of line-kilometers covered, is a key tool used in oil and gas exploration to determine the likely existence of hydrocarbon deposits. Three-dimensional data acquisition has become increasingly important in recent years, as the enhanced detail of this data provides time and cost benefits in the analysis and use of the information obtained.
- (2) Exploration wells are drilled to determine the existence of an oil or gas field. Appraisal wells are drilled to determine the extent of an identified field, and development wells are drilled to extract the oil or gas.
- (3) Inclusive of workover wells.
- (4) For the year ended December 31, 2020, the figure is derived on an accrual basis.

Production

Natural Gas. As at December 31, 2020, PETRONAS had 79 producing gas fields. In the year ended December 31, 2020, Malaysia's natural gas production available for sale was approximately 2,237 bscf. PETRONAS expects to keep a consistent level of natural gas production in Malaysia with the development of its LNG business.

PETRONAS uses its entitlement to Malaysia's gas production for processing, liquefaction and sale in the domestic market and overseas. The following table sets forth Malaysia's annual natural gas production available for sale and PETRONAS' entitlement to such production for each of the years in the three-year period ended December 31, 2020:

Natural Gas ⁽¹⁾	Year Ended December 31,		
	2018	2019	2020
	(in bscf, except percentages)		
Total production in Malaysia	2,338	2,427	2,237
PETRONAS' entitlement	1,824	1,902	1,677
PETRONAS' percentage entitlement	78%	78%	75%

- (1) Natural gas production available for sale.

Liquids. As at December 31, 2020, PETRONAS had 97 producing oil fields in Malaysia. These oil fields produce 24 blends of crude oil: Abu, Angsi, Anjung, Asam Paya, Banang, Berantai, Bertam, Bintulu, Bunga Kekwa, Bunga Orkid, Cendor, Dulang, Jitang, Kapal, Kebabangan, Kidurong, Kikeh, Kimanis, Labuan, Miri Light, Penara, Sepat, Tapis and Tembikai. All of these blends are of high quality and generally command a premium price over the benchmark Brent crudes in the global oil market.

In the year ended December 31, 2020, Malaysia's liquids production was approximately 203 mmbbl. PETRONAS uses its share of liquids production for export sales to customers, principally in the Asia-Pacific region, and for refining and sale of petroleum products. Of PETRONAS' entitlement in the year ended December 31, 2020, 50.0 mmbbl were exported, and 89.7 mmbbl were processed at PETRONAS' refineries in Melaka and Kertih.

The following table sets forth Malaysia's liquids production and PETRONAS' entitlement to such production for each of the years in the three-year period ended December 31, 2020:

Liquids	Year Ended December 31,		
	2018	2019	2020
	(in mmbbl, except percentages)		
Total production in Malaysia	238	223	203
PETRONAS' entitlement	159	151	143
PETRONAS' percentage entitlement	67%	68%	70%

INTERNATIONAL E&P OPERATIONS

PETRONAS has leveraged the extensive operational capabilities it has developed in Malaysia to expand internationally starting in the early 1990s, augmenting its domestic reserves through its exploration, development and production activities outside Malaysia. PETRONAS conducts these activities primarily through its wholly-owned subsidiary, PETRONAS International Corporation Ltd ("PICL"), and PICL's various subsidiaries, as well as through PETRONAS Carigali Overseas Sdn. Bhd. ("PCOSB") and PC JDA Ltd., wholly-owned subsidiaries of PETRONAS Carigali. PETRONAS' international discovered reserves and resources of liquids and gas as a share of PETRONAS' total discovered reserves and resources increased from 37.9% as at January 1, 2018 to 40.1% as at January 1, 2021. As at December 31, 2020, PETRONAS, through its wholly-owned subsidiaries, participated in 60 international ventures in 24 countries.

In several international production sharing contracts or concessions, PETRONAS, through its subsidiaries, is the sole contractor, while in other contracts PETRONAS, through its subsidiaries, is a member of a consortium of the contractors. As in the case of PETRONAS' Malaysian production sharing contracts, these production sharing contracts typically provide for the contractors to share the oil or gas production with the host country in varying ratios typically depending on the volume of oil or gas produced.

The following table sets forth PETRONAS' equity share of international natural gas and liquids production (excluding Malaysia) for each of the years in the three-year period ended December 31, 2020:

	Year Ended December 31,		
	2018	2019	2020
Natural Gas (in bscf)			
PETRONAS' equity share of production	752	738	744
Liquids (in mmbbl)			
PETRONAS' equity share of production	109	128	106

Principal and Strategic Areas of E&P Operations

PETRONAS derives substantial benefit from the breadth and scale of its international operations and considers several areas to be of strategic importance to its E&P business. PETRONAS

is committed to continuing to leverage its existing synergies and to realize further potential in a number of additional strategic regions of E&P operations, both in conventional and unconventional oil and gas. PETRONAS currently has conventional E&P operations in several principal regions where it believes that it enjoys significant competitive advantages, namely Asia, Africa and the Americas.

The following table lists oil and gas blocks and fields outside Malaysia, in which PETRONAS has an interest, either through PICL, PCOSB, or through other subsidiaries. The table includes both fields that are currently producing or acquired for future exploration, development and production:

Country	Year of Commencement of Production /Date of License Acquisition (for non-producing)	Average Equity Production Rate for 2020 (Oil, LPG and Condensate in kbpd; Gas in mmscfd) /Development Status as at December 31, 2020 (for non-producing)
<i>Asia-Pacific</i>		
Australia	2008 ⁽¹⁾	Gas: 143.9
Brunei	2010-2011	Pre-development and exploration phase
Indonesia	2002-2019	Unitization area: Oil: 0.0 Oil: 9.3 Condensate: 3.7 LPG: 6.8 Gas: 109.1
Malaysia-Thailand Joint Development Area	2004-2016	Condensate: 8.5 Gas: 417.8
Myanmar	2000	Condensate: 0.5 Gas: 22.5
Vietnam	2015	Gas: 5.7
<i>Central Asia</i>		
Turkmenistan	2006	Oil: 3.8 Condensate: 25.5 Gas: 441.7
<i>Africa</i>		
Chad	2003	Oil: 11.8
Egypt	2003	Condensate: 4.7 Gas: 187.9
Gabon	2014-2019	Exploration phase
Gambia	2018	Exploration phase
Senegal	2018	Exploration phase
South Sudan	1999-2006	Oil: 60.7
<i>Middle East</i>		
Iraq	2012-2014	Oil: 78.2 LPG: 0.3 Gas: 3.2
Oman	2018 ⁽¹⁾	Condensate: 3.5 Gas: 91.8
<i>North America</i>		
Canada	2012-2014 ⁽¹⁾	Oil: 2.4 Condensate: 4.5 Gas: 319.0
Mexico	2017-2019	Exploration phase

Country	Year of Commencement of Production /Date of License Acquisition (for non-producing)	Average Equity Production Rate for 2020 (Oil, LPG and Condensate in kbpd; Gas in mmscfd) /Development Status as at December 31, 2020 (for non-producing)
<i>South America</i>		
Argentina	2015	Oil: 9.6 Gas: 4.2
Brazil	2019 ⁽¹⁾	Oil: 45.3 Gas: 19.5
Suriname	2013- 2014	Exploration phase
<i>Europe</i>		
Azerbaijan	2015 ⁽¹⁾	Condensate: 12.2 Gas: 264.8
Ireland	2009 ⁽¹⁾	Gas: 9.0

(1) Production date as per farm-in date or effective date of the relevant agreement.

Recent Developments in International E&P Operations

PETRONAS has expanded its international operations in recent years. In particular, the Americas have become an increasingly important component of PETRONAS' E&P activities through PETRONAS' acquisitions of interests in ten exploration blocks in Mexico between 2017 to 2019, which made PETRONAS the third largest oil and gas resource holder by acreage in Mexico. PETRONAS has also acquired interests in five producing blocks in Brazil; the acquisition of two of them in 2019 was part of PETRONAS' Discovered Reserves Opportunities strategy to bring immediate production and cash flows. In Canada, PETRONAS is one of the largest gas resource owners in this country, and PETRONAS' gas resources in Canada account for the largest portion of its total international gas resources. In the Middle East region, PETRONAS' acquisition of the block in Oman was also part of its Discovered Reserves Opportunities strategy. In Africa, PETRONAS continues to strengthen its presence, with the acquisition of interests in exploration blocks in Gabon, Gambia, Egypt and Senegal between 2018 and 2019. PETRONAS' discovery in Gabon's Boudji block marks its first discovery of ultra-deepwater resources. In the Asia Pacific region, PETRONAS strengthened its presence in Indonesia when it made a significant gas discovery in the Sakakemang block in 2019. In the unconventional space, through its activities in Canada, Australia and Argentina, PETRONAS is accelerating development and production in shale oil and gas, tight reservoirs, coal bed methane and other unconventional resources. Unconventional resources such as shale oil and gas, as well as coal bed methane, are rapidly becoming important energy resources that will continue to be developed. Selected recent E&P activities by PETRONAS and its subsidiaries in Asia Pacific, Middle East, Africa and the Americas are detailed below.

Recent Highlights

In April 2020, PETRONAS, through a wholly-owned subsidiary, together with its partners made an oil discovery in the U.S. Gulf of Mexico. In May 2020, PETRONAS announced two deepwater oil discoveries from the Polok-1 and Chinwol-1 exploration wells in Block 29, in the Salina Basin, offshore Mexico. These three successful discoveries marked a significant milestone for PETRONAS and its ventures in the Americas. PETRONAS is currently the third largest oil and gas resource holder by acreage in Mexico.

PETRONAS' successes in the Americas continued with its first discovery in Suriname with the successful drilling of the Sloanea-1 exploration well located in Block 52. PETRONAS' wholly-owned subsidiary is the operator of Block 52 and holds a 50% participating interest, together with a subsidiary of ExxonMobil, following a farm-down exercise by PETRONAS completed in May 2020.

In Oman, PETRONAS, together with its partners, started production from its Ghazeer gas field (Phase 2) in October 2020, three years after the Khazzan gas field (Phase 1) was brought online. The consortium for this development successfully and safely delivered the start-up of Ghazeer ahead of schedule amid challenging market conditions.

In Indonesia, PETRONAS, together with its partners in Ketapang PSC, started production from its Bukit Tua gas field (Phase 3) in April 2020.

Selected recent E&P activities by PETRONAS and its subsidiaries in Asia Pacific, Middle East, Africa and the Americas are detailed below.

Exploration and Production in Asia Pacific

Indonesia. PETRONAS' exploration and production activities in Indonesia began in 2000. As at December 31, 2020, PETRONAS had interests in eight active production sharing contracts. Two of these projects are operated by PETRONAS, and PETRONAS participated in partnership with other oil and gas operators in the remaining six projects. Bukit Tua gas field (Phase 3) achieved first hydrocarbon in April 2020.

In June 2020, PETRONAS completed its transfer of an 80% participating interest and operatorship in the Muriah PSC, which involves the Kepodang gas field, to Saka Energi Muriah Limited.

Exploration and Production in Middle East

Oman. In December 2018, PETRONAS acquired a 10% interest in Block 61 from Makarim Gas Development LLC, a subsidiary of OQ (previously known as Oman Oil Company Exploration & Production LLC), effective January 2018. The block, which is currently in the production phase, is operated by a subsidiary of BP PLC with a 60% interest in Block 61, while Makarim Gas Development LLC holds the remaining 30%. Ghazeer gas field (Phase 2) achieved first hydrocarbon in October 2020, three years after the Khazzan gas field (Phase 1) was brought online.

Exploration and Production in North America

Canada. PETRONAS is the part-owner and operator of the North Montney Joint Venture shale gas assets in British Columbia, Canada. Following the introduction of joint venture partners in 2013 and 2014, namely Sinopec Huadian (15%), Japex Montney (10%), Indoil Montney (10%) and PetroleumBRUNEI Montney Holdings Limited (3%), PETRONAS currently holds a 62% interest in the North Montney Joint Venture. The North Montney Joint Venture is currently in the development stage and is expanding its gross natural gas production capacity to meet its contracted obligations for the North American market and to the LNG Canada Export Facility Project. For more information, see “—Gas and New Energy Segment—LNG Business—International Operations—Canada.”

In December 2012, PETRONAS acquired a 100% interest in the Alberta Deep Basin production sharing contract. In February 2018, PETRONAS divested its oil and natural gas assets in Alberta's Deep Basin.

PETRONAS also holds a 50% interest in the PETRONAS Sasol Montney Partnership, as well as a 50% interest in related processing facilities. Sasol Limited owns the remaining 50% interest.

Mexico. In March 2017, PETRONAS acquired two deepwater offshore blocks, Block 4 and Block 5, located in Salina Basin, Gulf of Mexico, by entering into license contracts for the exploration and extraction of hydrocarbons. PETRONAS holds the operatorship and a 50% interest in Block 4 and the remaining 50% is held by Wintershall Dea. Block 5 is operated by a subsidiary of Murphy Oil with a 40% interest, with PETRONAS and Sierra Offshore Exploration each holding a 30% interest.

In September 2017, PETRONAS acquired one shallow-water block, Block 6, in the Sureste Basin by entering into a shallow-water hydrocarbon exploration and extraction shared production contract. PETRONAS holds the operatorship with a 50% interest and the remaining 50% interest is held by Ecopetrol S.A.

In May 2018, PETRONAS acquired six deepwater offshore blocks located in the Gulf of Mexico by entering into license contracts for the exploration and extraction of hydrocarbons. PETRONAS holds operatorship and a 100% interest in Salina Basin Block 25 and Block 26. PETRONAS also holds operatorship and a 60% interest in Mexican Ridges Basin Block 12 with Ophir Mexico Limited holding 20% interest and PTTEP Mexico E&P Limited, S. de R.L. de C.V. (“**PTTEP MEP**”) holding the remaining 20% interest. A subsidiary of Repsol holds operatorship and a 30% interest in Salina Basin Block 29 with PETRONAS holding a 28.33% interest, Sierra Nevada E&P, S. de R.L. de C.V. holding a 25% interest and PTTEP MEP holding the remaining 16.67% interest in the block. Repsol holds operatorship and a 40% interest in Mexican Ridges Basin Block 10 with PETRONAS holding a 40% interest and the remaining 20% is held by Ophir. Repsol also holds operatorship and a 50% interest in Mexican Ridges Basin Block 14 with the remaining 50% held by PETRONAS.

In March 2019, PETRONAS acquired a 30% interest in Perdido Fold Belt Block 4 from a subsidiary of Chinese National Offshore Oil Corporation, which holds operatorship for the block with a 70% interest.

All of PETRONAS’ blocks in Mexico are currently in the exploration phase. In May 2020, PETRONAS’ subsidiary announced two deepwater oil discoveries in Mexico from the Polok-1 and Chinwol-1 exploration wells in Block 29, located in the Salina Basin, offshore Mexico.

United States. In April 2020, PETRONAS, together with its partners, made an oil discovery in the U.S. Gulf of Mexico.

Exploration and Production in South America

Argentina. In May 2015, a subsidiary of PETRONAS acquired a 50% interest in the La Amarga Chica block, which is located in the Vaca Muerta formation in the Neuquén basin and covers an area of 187 square kilometers. The remaining 50% interest is held by the Argentine energy company Yacimientos Petrolíferos Fiscales (“**YPF**”), which is the operator for the block. In 2018, both parties approved the Master Development Plan and the field achieved its first hydrocarbon in March 2019. Crude daily production recorded in 2020 was 9.6 kboed.

PETRONAS also made its first export deal for the La Amarga Chica equity crude to Trafigura Pte Ltd in June 2020.

Brazil. In December 2019, PETRONAS, through a wholly-owned subsidiary, acquired 50% interest in two concessions, namely Block BM-C-36, which is a producing asset, and Espadarte, which is currently in pre-development phase. The remaining 50% interest is held by the Brazilian energy company Petróleo Brasileiro S.A. (“**Petrobras**”), which is the operator for the block. The block’s daily production in 2020 was 45.3 kboed of crude oil and 19.5 mmscf of natural gas.

In October 2019, PETRONAS, through a wholly-owned subsidiary, won three exploration blocks during Brazil’s exploration blocks bid round. PETRONAS won blocks CM 661, CM 715 and CM 541, all located in the Campos Basin, offshore Brazil. PETRONAS owns a 100% interest of Blocks CM 661 and CM 715. For Block CM 541, Total, which holds a 40% interest, is the operator for the block and the remaining interests are held by Qatar Petroleum and PETRONAS at 40% and 20%, respectively. As at December 31, 2020, the blocks are all currently in the exploration phase.

Suriname. In April 2013, PETRONAS, through a wholly-owned subsidiary, signed a production sharing agreement with Staatsolie Maatschappij Suriname N.V., Suriname’s state oil company, for Block 52. In December 2019, PETRONAS, through its wholly-owned subsidiary, signed a farm-out agreement with ExxonMobil, transferring 50% interest in this block to ExxonMobil. PETRONAS remains as the operator of this block, holding the remaining 50% interest. The farm-out exercise was completed in May 2020. In December 2020, first discovery of hydrocarbon was made in Block 52 with the successful drilling of the Sloanea-1 exploration well.

In February 2014, a farm-in agreement was signed between a subsidiary of Murphy Oil and a wholly-owned subsidiary of PETRONAS, for acquisition of a 50% interest in the production sharing contract in respect of Block 48, a block located offshore Suriname covering an area of 3,215 square kilometers. This block was initially operated by Murphy Oil, but Murphy Oil withdrew from the block in January 2015 and transferred its remaining 50% interest, as well as the operatorship, to PETRONAS. This block is currently in the exploration phase.

In May 2014, a farm-in agreement was entered into between Apache Suriname Corporation LDC (“**Apache**”) and a wholly-owned subsidiary of PETRONAS in respect of Block 53, offshore Suriname. Under the agreement, PETRONAS acquired a 30% interest from Apache. Apache operates the block, in which it holds a 45% interest. CEPESA Suriname S.L holds the remaining 25% interest. This block is currently in the exploration phase.

Exploration and Production in Africa

Gabon. In August 2014, PETRONAS signed a production sharing contract with the Government of Gabon for LIKOUALE n°G4-248, an offshore deepwater block located in southern Gabon. PETRONAS is currently the operator of the block and holds a 100% interest. However, once production commences, the Government of Gabon and the National Hydrocarbons Company of Gabon have the rights to take up to 20% and 10% interest in the block, respectively. The block is currently in the exploration phase.

In August 2019, PETRONAS signed two production sharing contracts with the Government of Gabon for Yitu n°G4-4255 and Aboune n°G4-256, otherwise known as Block F12 and Block F13, respectively. Both these blocks are currently in the exploration phase.

Gambia. In February 2018, PETRONAS acquired a 40% interest in Block A2 and Block A5 from FAR Gambia Limited. At present, FAR Gambia Limited remains as the operator with a 50% participating interest, while PETRONAS holds the remaining 50%. The blocks are currently in the exploration phase.

Egypt. PETRONAS and BG International Limited each holds a 50% interest in the concession for the West Delta Deep Marine, located offshore Egypt. PETRONAS’ operations in West Delta Deep Marine supply feedstock to the Egypt LNG Project, in which PETRONAS has a 35.5% interest in Train 1 and a 38.0% interest in Train 2. For more information, see “—*Gas and New Energy Segment—LNG Business—International Operations—Egypt.*”

In January 2020, PETRONAS signed two petroleum offshore concession area, namely Block 4 of North Sidi Gaber and Block 6 of North El Fanar. PETRONAS owns 100% interest in both blocks and Shell as the operator holds the remaining 50%. Both blocks are currently in the exploration phase.

Senegal. In November 2018, PETRONAS, through a wholly-owned subsidiary, completed the acquisition of a 30% interest in Block Rufisque Offshore Profond from a subsidiary of Total, effective from January 2018. Total operates the block with 60% interest, while PETROSEN, the Senegalese national oil company, holds the remaining 10%. This block is currently in the exploration phase.

International Asset Rationalization

During the period from 2018 to 2020, PETRONAS relinquished certain blocks in Algeria, Angola, Iraq, Myanmar and Sudan as part of its international asset rationalization.

GAS AND NEW ENERGY SEGMENT

PETRONAS’ gas and new energy segment reflects PETRONAS’ Statement of Purpose to address energy transitions by providing natural gas, LNG and venturing into renewable options for cleaner energy solutions. Through advocacy, market development and innovative offerings, the gas and new energy segment marks a new era of progress for PETRONAS’ commitments towards sustainable development.

LNG BUSINESS

PETRONAS is a leading global LNG player with an integrated portfolio across the LNG value-chain from production, shipping to marketing and trading. PETRONAS’ end-to-end capabilities across the integrated gas value-chain have allowed it to become one of the world’s most reliable and flexible LNG suppliers, with a total LNG production capacity of nearly 36 mmtpa.

With over 37 years of experience in the LNG business, PETRONAS has established a solid reputation and customer base in Japan, China, Korea, Taiwan (ROC) and emerging markets. To date, PETRONAS has safely delivered more than 11,500 cargoes since the establishment of its first LNG plant in 1983. In 2020, PETRONAS’ LNG sales volume was 33.12 mmt, which was approximately 9% of the world’s LNG consumption.

In 2016, PETRONAS deployed the world’s first floating LNG facility, enabling the production of LNG on a floating vessel deployed in closer proximity to the offshore gas field.

PETRONAS has several projects in the pipeline to maintain its significant presence in the LNG market. These include a second floating LNG facility, the PFLNG Dua, in offshore Sabah, which achieved its first drop of LNG in February 2021 and is scheduled to produce its first LNG cargo in March 2021. In addition, PETRONAS has a 25% stake in a two-train LNG export facility in British Columbia, Canada, known as the LNG Canada Export Facility Project (“**LNG Canada**”), the

construction of which is underway and is expected to deliver its first LNG cargo in 2024. PETRONAS is also expanding opportunities for its LNG business, including LNG bunkering to fuel vessels and virtual natural gas pipeline systems, where LNG is transported on land to off-grid energy demand centers across Malaysia.

Domestic Operations

PETRONAS LNG Complex (“PLC”). Located in Bintulu, Sarawak, PETRONAS operates PLC, one of the world’s largest LNG production facilities at a single location. The PLC consist of four plants owned by four subsidiaries of PETRONAS: Malaysia LNG Sdn. Bhd. (“**MLNG**”), MLNG Dua Sdn. Bhd. (“**MLNG 2**”), MLNG Tiga Sdn. Bhd. (“**MLNG 3**”) and PETRONAS LNG 9 Sdn. Bhd. (“**PL9SB**”), with a total of nine liquefaction trains, all operated by MLNG on a total area of approximately 302 hectares.

The following table provides certain information regarding PLC’s production facilities as at December 31, 2020:

Facility	Start-up Year	Number of Trains	Nameplate Capacity (mmtpa)	Ownership	
MLNG	1983	3	8.4	PETRONAS	(90%)
				Sarawak State Financial Secretary	(5%)
				Diamond Gas Holding	(5%)
MLNG 2	1995	3	9.6	PETRONAS	(80%)
				Sarawak State Financial Secretary	(10%)
				Diamond Gas Holding	(10%)
MLNG 3	2003	2	7.7	PETRONAS	(60%)
				Sarawak State Financial Secretary	(25%)
				Nippon Oil Finance (Netherlands) B.V.	(10%)
				Diamond Gas Netherlands B.V.	(5%)
PL9SB ⁽¹⁾	2017	1	3.6	PETRONAS	(65%)
				Sarawak State Financial Secretary	(10%)
				Sabah International Petroleum Sdn Bhd.	(5%)
				Nippon Oil Finance (Netherlands) B.V.	(10%)
				PTTGL Investment Limited	(10%)
Total			29.3		

(1) PL9SB was initially incorporated as a wholly-owned subsidiary of PETRONAS. PETRONAS subsequently transferred 35% of its interests in PL9SB as follows: 10% to Nippon Oil Finance (Netherlands) B.V. in 2016, 10% to each of PTTGL Investment Limited and Sarawak State Financial Secretary (“**Sarawak State**”) in 2017, and 5% to Sabah International Petroleum Sdn Bhd. in 2019.

The PLC plants source natural gas mostly from the Central Luconia gas fields and in the surrounding areas. Prior to January 13, 2020, some of PLC’s gas requirements were supplied through PETRONAS’ SSGP, a 512-kilometer pipeline that transports gas from Sabah to Sarawak serving off-takers including the MLNG 2 plant, PETRONAS’ petrochemical plant, independent power plants in Sabah and one gas terminal in Labuan.

However, on January 13, 2020, one section of the SSGP pipeline parted, interrupting gas supply to MLNG 2. Despite this incident, PLC’s LNG supply to its customers was not affected, as a substantial majority of PLC’s gas feedstock is sourced from gas fields in Central Luconia and other

surrounding areas. An earlier SSGP pipeline incident in 2018 similarly disrupted SSGP's gas supply to MLNG 2, but did not disrupt PLC's LNG supply to its customers for the same reason.

In 2020, PLC achieved production of 23.58 mmt, while maintaining 94.2% reliability. PLC's 2020 production volumes were sold to established LNG markets, including Japan, China, Korea, Taiwan (ROC), and others as shown in the table below:

	Sales ⁽¹⁾ (mmt)	Sales (percentage)	LNG Market Share ⁽²⁾
Japan	10.64	44%	14%
China	6.03	25%	9%
Korea	5.06	21%	12%
Taiwan (ROC)	0.94	4%	4%
Others	1.40	6%	—
Total	24.08	100%	n/m

(1) Inclusive of existing stock from storage.

(2) Based on total LNG volume delivered to each country by PLC as a proportion of the total LNG volume delivered to such country in 2020. The total LNG volume delivered to each country is sourced from IHS Markit.

PETRONAS Floating LNG (“PFLNG”). Custom-built to liquefy, produce, store and offload LNG, PFLNG are facilities that allow for the liquefaction of LNG to be done offshore—hundreds of kilometers away from land. The versatility of these assets enables PETRONAS to unlock remote and stranded fields that were previously uneconomical to develop, making it possible for PETRONAS to monetize the potential of stranded fields far out at sea.

PETRONAS is the first global energy player to implement the floating LNG concept with the introduction of PFLNG Satu in 2016. PFLNG Satu, which is wholly-owned by PETRONAS, has a nameplate capacity of 1.2 mmtpa and is designed for water depth between 70 meters and 200 meters. PFLNG Satu was first stationed in the Kanowit field, Sarawak, and was subsequently relocated to the Kebabangan field in March 2019, demonstrating the practicality of a relocatable floating LNG facility.

PETRONAS continues to define the LNG industry with the development of the world's first deepwater floating LNG, PFLNG Dua, which is also wholly-owned by PETRONAS. PFLNG Dua has a nameplate capacity of 1.5 mmtpa and is capable of reaching remote, stranded and marginal gas reserves, located in water depths up to 1,500 meters. PFLNG Dua arrived at the Rotan gas field, 140km offshore Kota Kinabalu, Sabah, achieved its first drop of LNG in February 2021 and is scheduled to produce its first LNG cargo in March 2021.

International Operations

Australia. PETRONAS, through a wholly-owned subsidiary, holds a 27.5% interest in the Gladstone LNG (“GLNG”) project, an integrated unconventional coal seam gas-to-LNG project in Queensland, Australia. The GLNG project is PETRONAS' first investment in coal seam gas assets, with Santos, an ASX-listed Australian oil and gas exploration and production company, as the operator of, and holder of a 30% interest in, the GLNG project, while Total holds a 27.5% interest and KOGAS holds the remaining 15% interest.

GLNG consists of the development of upstream coal seam gas fields that are operated by Santos in the Fairview, Roma, Arcadia and Scotia areas, as well as the construction of a 420-kilometer gas

transmission pipeline and a two-train LNG liquefaction facility on Curtis Island operated by GLNG Operations Pty Ltd., with total capacity of 7.8 mmtpa. The first LNG cargo from Train 1 and Train 2 was achieved in October 2015 and May 2016, respectively.

PETRONAS has a long-term commitment to purchase 1.5 mmtpa of LNG from Train 1 and a further 1.5 mmtpa from Train 2, further strengthening PETRONAS' LNG portfolio and security of supply for its existing and potential LNG customers.

Egypt. PETRONAS, through a wholly-owned subsidiary, has a 35.5% interest in Train 1, and a 38.0% interest in Train 2, of the Egypt LNG Project (“**ELNG**”), a joint venture between PETRONAS and its partners Egyptian General Petroleum Corporation, Egyptian Natural Gas Holding Company, Shell and Total.

ELNG includes the development and operation of an LNG liquefaction plant and related infrastructure at Idku, approximately 50 kilometers east of Alexandria, Egypt. This plant consists of two trains with a combined capacity of 7.2 mmtpa and other facilities, including utilities, storage tanks and marine loading facilities. The ELNG Project receives its feedstock from the offshore West Delta Deep Marine concession, in which PETRONAS has held a 50% interest since 2003.

ELNG's Train 1 commenced production in May 2005 and sells its entire output to Total under a 20-year take-or-pay contract. ELNG's Train 2 commenced production in September 2005 and sells its entire output to Shell under a 20-year take-or-pay contract. ELNG is the fastest LNG project in the world recorded, requiring only six years from gas discovery to first LNG shipment.

Canada. PETRONAS, through a wholly-owned subsidiary, holds a 25% interest in LNG Canada, with remaining interests held by Shell Canada Energy (40%), PetroChina Canada LNG Limited Partnership (15%), Diamond LNG Canada Limited Partnership (15%) and KOGAS Canada LNG Ltd. (5%). LNG Canada represents one of the largest energy investments in the history of Canada. It is also the first major LNG export facility in Canada to receive a final investment decision, which was in 2018.

LNG Canada involves the engineering, design, construction and operation of a natural gas liquefaction plant and related facilities for the storage and export of LNG in Kitimat, British Columbia, Canada. The project is expected to initially consist of two LNG liquefaction processing trains with an aggregate production capacity of approximately 14 mmtpa, with the potential to expand to four trains.

Each of the five participants in the LNG Canada Export Facility Project is expected to provide its own natural gas supply and offtake and market its share of LNG produced from the facility on a pro rata basis commensurate with its interest in the project. PETRONAS intends to source gas for its share of the gas supply from its natural gas holdings in the North Montney Joint Venture, demonstrating its continuing efforts to monetize its natural gas reserves.

Construction of LNG Canada is underway and is expected to deliver first LNG cargo in 2024. With gas supply agreements already in place, once in full operation LNG Canada is expected to add value to the gas reserves and contingent resources in the North Montney fields and strengthen PETRONAS' LNG supply portfolio to the Asian markets.

LNG Marketing and Trading

PETRONAS' LNG business is supported by PETRONAS LNG Ltd., PETRONAS' wholly owned subsidiary and global LNG marketing and trading arm for PETRONAS' LNG molecules.

Through a combination of long-term contracts, spot deals, cargo optimization exercises, hedging and trading activities, PETRONAS LNG Ltd. is responsible for balancing PETRONAS' LNG portfolio and maximizing the value derived from its LNG molecules.

Through its parent company, PETRONAS LNG Sdn. Bhd., PETRONAS LNG Ltd. also manages a fleet of 25 LNG tankers of various sizes through medium and long-term charters with shipping solution providers, including those from PETRONAS' subsidiary MISC Berhad ("**MISC**"). PETRONAS' access to a huge fleet of LNG vessels allows it to tailor its LNG delivery solutions for its customers safely, reliably and with flexibility.

With over 37 years of experience in the LNG business and its ability to offer competitive value propositions to its customers, PETRONAS has established a solid reputation and LNG customer bases in Japan, China, Korea and other markets. To date, PETRONAS has safely delivered more than 11,500 LNG cargoes since the establishment of its first LNG plant in 1983 without a single missed cargo. In 2020, PETRONAS' LNG sales volume was 33.12 mmt, which was approximately 9% of the world's LNG consumption.

PETRONAS also provides a wide range of customer-centric and sustainable solutions to meet customer requirements and enable businesses to improve their environmental footprint. These solutions include:

- ***Virtual natural gas pipeline system.*** Launched in September 2020, this solution involves supplying LNG using trucks that are reloaded at an LNG filling facility in Pengerang, Johor, to off-grid industrial customers in Peninsular Malaysia. Through this solution, PETRONAS provides industrial customers that are not connected to Malaysia's natural gas infrastructure with the option of switching to gas as an alternative form of cleaner energy.
- ***LNG bunkering.*** Launched in November 2020, using the 7,500 cubic meter MV Avenir Advantage, PETRONAS' first LNG bunkering vessel offers LNG bunkering services to shipping in Southeast Asia. This LNG bunkering vessel, along with the strategic location of PETRONAS' regasification facilities in Pengerang, Johor, and Sungai Udang, Melaka, has strengthened Malaysia's position as an LNG bunkering hub along one of the world's busiest shipping routes. Through this solution, PETRONAS provides reliable and cost-competitive cleaner energy solutions. PETRONAS' LNG bunkering business also reflects PETRONAS' commitment to sustainability and supports the implementation of International Maritime Organization 2020 regulations on marine sector emission.

GAS AND POWER BUSINESS

PETRONAS' Gas and Power business ensures the long-term security of gas supply to the Malaysian gas market through gas processing, transmission, storage, LNG regasification and sales activities. In addition, PETRONAS participates in power generation and the provision of essential feedstock and utilities—power, steam, industrial gases, demineralized water and waste water management services—to customers and PETRONAS' projects and operations, adding synergistic value in the integrated gas value chain.

Gas Processing, Transmission and LNG Regasification Terminal

Domestic Operations

PETRONAS' natural gas processing, natural gas transmission, regasification and utilities in Malaysia are consolidated under PETRONAS Gas Berhad ("**PGB**"), which is Malaysia's leading gas

infrastructure and centralized utilities company. PGB has been listed on Bursa Malaysia since 1995. PETRONAS held a 51% interest, and the company had a market capitalization of approximately RM34 billion as at December 31, 2020. Pursuant to a gas processing agreement with PETRONAS, PGB provides throughput service for the processing of PETRONAS' gas and transmits processed gas to customers.

Gas processing. PETRONAS sources natural gas from the fields offshore Terengganu, Malaysia and, through PGB, it operates six gas-processing plants located in two gas processing complexes in Santong and Kertih, Terengganu, with a combined production capacity of 2,060 mmscfd and an additional 750 mmscfd standby capacity. As byproducts of processing natural gas, these gas processing plants also produce ethane, propane and butane, which is used for petrochemical feedstock.

Gas transportation. PGB owns, operates and maintains approximately 2,600 kilometers of main gas transmission pipelines under the Peninsular Gas Utilization ("PGU") pipeline network and the Pengerang Gas Pipeline, which are used to transmit gas from gas-processing plants, MTJDA in Thailand and LNG regasification terminals to industrial end-users in the power, industrial and commercial sectors in Peninsular Malaysia and Singapore. The PGU pipeline network, in particular, is the principal catalyst for the development of Peninsular Malaysia's offshore gas fields, the use of natural gas products for power generation and utilities, and the expansion of Malaysia's petrochemical industry using gas-derivative products such as ethane, propane, butane and condensate. In 2020, the PGU pipelines had average reliability rates of 99.96% and transported an average of 1,882 mmscfd of processed gas.

The power sector was the largest consumer of gas transmitted through the PGU pipelines, accounting for 773 mmscfd, or 41% of the total gas delivered in 2020. Power sector consumers include electric power generators in Malaysia such as Tenaga Nasional Berhad and independent power producers. The balance of the gas is delivered to industrial users such as PETRONAS' petrochemical plants and Gas Malaysia Energy and Services Sdn. Bhd., a wholly-owned subsidiary of Gas Malaysia Berhad, and is also exported to Singapore. PETRONAS, through its wholly-owned subsidiary, PETRONAS Energy & Gas Trading Sdn. Bhd., entered into contracts for the sale of processed gas to the respective end-users. These contracts are generally long term, ranging from 10 to 15 years.

The PGU system has also facilitated the use of processed gas by smaller industries and residential end-users, which accounted for 197,676 mmscfd in 2020. The sale and distribution of natural gas to smaller industries and residential end-users is undertaken by Gas Malaysia Energy and Services Sdn. Bhd., which distributes gas from its PGU-connected distribution pipeline to individual industrial, commercial and residential locations in Peninsular Malaysia. PGB holds a 14.8% interest in Gas Malaysia Berhad, while MMC Corporation Berhad holds a 30.9% interest, Tokyo Gas-Mitsui & Co. Holdings Sdn. Bhd. holds an 18.5% interest. The remaining 35.8% interest is held by public investors.

Regasification. PETRONAS, through PGB, owns and operates two LNG regasification terminals ("RGTs"). The RGTs have diversified PETRONAS' sources of natural gas supply, supplementing the supply of natural gas from offshore Terengganu. The terminals enhance the security of gas supply to customers in Peninsular Malaysia.

PETRONAS' first RGT was commissioned in 2013 in Malaysia and is located in Sungai Udang, Melaka. It is fully owned by PGB and has a nameplate capacity of 3.8 mmtpa.

PETRONAS' second RGT in Malaysia was commissioned in 2017 and is located in Pengerang, Johor ("**RGTP**"). PGB holds a 65% interest in RGTP, while Dialog Group Berhad holds a 25% interest and the State of Johor holds the remaining 10%. RGTP has a nameplate capacity of 3.5 mmtpa and provides the primary gas supply to RAPID and a co-generation plant within the PIC. This terminal has a reloading export facility that provides flexibility to capacity users to export LNG, and it is strategically connected to PGU through 72 kilometers of pipeline with a view to strengthening the security of gas supply within Malaysia. For further information regarding RAPID, see "*—Downstream Segment—Pengerang Integrated Complex*" below.

Overseas Pipelines

Trans Thailand-Malaysia Gas Pipeline. Through a joint venture with PTT Public Company Limited, PETRONAS owns a 50% interest in each of Trans Thai-Malaysia (Thailand) Limited and Trans Thai-Malaysia (Malaysia) Sdn. Bhd., which together operate a 425 mmscfd gas processing plant in Songkhla, Thailand, 398 kilometers of offshore pipeline and 98 kilometers of onshore pipeline. These facilities process and transmit natural gas from the MTJDA to Thailand and Malaysia. The companies also own and operate 240 kilometers of LPG pipeline to transport LPG from its gas processing plant in Songkhla to PETRONAS' LPG depot in Prai, Penang.

Transasia Gas Pipeline, Indonesia. PETRONAS, through its subsidiary PICL, owns a 35% interest in Transasia Pipeline Company Pvt. Ltd. ("**Transasia**"), a joint venture with ConocoPhillips, Repsol and SPC. Transasia owns a 40% interest in PT Transportasi Gas Indonesia, which owns and operates 536 kilometers of onshore pipeline from Grissik to Duri, Sumatra and 468 kilometers onshore and offshore gas transmission pipeline from Grissik to Singapore via Batam.

Overseas Regasification Terminal

LNG Regasification Capacity, United Kingdom. LNG Investments Europe Limited, a wholly-owned subsidiary of PETRONAS, has a long-term throughput agreement to use 50% of the capacity of the Dragon LNG regasification terminal in Milford Haven, Wales, United Kingdom, effectively providing PETRONAS with a European delivery point for its LNG portfolio, with regasification capacity of approximately 2.2 mmtpa.

Utilities

PETRONAS, through PGB, owns and operates centralized utility facilities in Kertih, Terengganu, and Gebeng, Pahang, which produce and supply electricity, steam, industrial gases and other utility products to PETRONAS' petrochemical complexes in Kertih and Gebeng as well as third parties. In 2020, the centralized utility facilities produced and supplied 1,535 GWh of electricity, 660 million Nm³ of industrial gases and 4,043 thousand metric tons of steam.

PGB also markets and sells industrial gases through Industrial Gases Solution Sdn. Bhd, a 50:50 joint venture between PGB and Linde (M) Sdn. Bhd. In 2016, Pengerang Gas Solutions Sdn. Bhd., a joint venture company between PGB (51%) and Linde (49%), is the sole supplier of oxygen and nitrogen to the PIC. Pengerang Gas Solutions Sdn. Bhd. owns and operates an air separation unit with two trains with an equivalent total generation capacity of 1,407 tpd of oxygen and 1,570 tpd of nitrogen.

Power

As at December 31, 2020, PETRONAS' power business had approximately 1,085MW of power generation capacity in its portfolio.

Kimanis Power Plant, Kimanis. Established in 2008, Kimanis Power Sdn. Bhd. owns, operates and maintains a 285MW gas-fired power plant in Kimanis Bay, Sabah, under a 21-year power purchase agreement with Sabah Energy Sdn. Bhd. Kimanis Power Sdn. Bhd. is jointly owned by PGB and NRG Consortium (Sabah) Sdn Bhd., an indirect wholly-owned subsidiary of Kumpulan Yayasan Sabah Group, with 60% and 40% stakes, respectively. This power plant supplies power to Sabah Energy Sdn. Bhd. customers in Sabah.

PacificLight, Singapore. PETRONAS, through its wholly-owned subsidiary, PETRONAS International Power Corporation (Mauritius) Limited, also owns a 30% interest in PacificLight Power Pte Ltd., which owns and operates a 800MW gas-fired power plant in Jurong Island, Singapore that sells power to the Singapore market.

Gas Marketing and Trading

Malaysia. PETRONAS Energy & Gas Trading (“**PEGT**”), a wholly-owned subsidiary of PETRONAS, is the marketing and trading arm of PETRONAS for processed gas in Malaysia and Singapore. Through PEGT, PETRONAS sustains its competitive advantages from a vast portfolio of reliable and quality gas supplies, access to infrastructure and facilities and diversified portfolio of customers, under the increasingly liberalized Malaysia natural gas market.

In line with its strategy of rationalizing gas subsidies, the Government of Malaysia approved periodic increases in regulated gas prices to both the power and non-power sectors to reach price liberalization. Gas prices were liberalized effective from July 2019 for the non-power sector (RM33.35/mmbtu as at June 2019) and January 2020 for the power sector (RM28.70/mmbtu as at December 2019).

Singapore. PEGT is also PETRONAS’ marketing and trading arm for processed gas in Singapore. In 2020, PETRONAS exported 123 mmscfd of natural gas to Singapore, which constituted approximately 11% of Singapore’s natural gas consumption.

NEW ENERGY BUSINESS

Responding to the global energy transition, PETRONAS is seeking to future-proof its business through growth in new energy, signifying its commitment to sustainability. In light of solar and wind energies’ decreasing costs and continuous technological improvements, PETRONAS is currently focused on these two areas. For solar power, in particular, PETRONAS is focusing on opportunities in roof-mounted solar power projects. In line with the global industry outlook, PETRONAS’ new energy ventures are currently concentrated in the Asia Pacific region, where the anticipated capacity additions are the highest among all regions.

In April 2019, PETRONAS made its first major stride into the renewable energy space with the acquisition of Amplus Energy Solutions Pte Ltd. (“**Amplus**”), a company specializing in solutions for rooftop and ground-mounted solar power generation. This acquisition provided PETRONAS with technical knowledge, market knowledge and customer reach for end-to-end solutions for rooftop and ground-mounted solar power projects. Through a combination of organic and inorganic growth, Amplus’ solar capacity has grown since PETRONAS’ acquisition to over 800MW, serving more than 150 commercial and industrial customers in more than 200 locations across India, the Middle East and Southeast Asia.

PETRONAS is also establishing its renewable energy business in Malaysia. Following its acquisition of Amplus, in October 2019 PETRONAS launched its first solar rooftop solution, M+ by

PETRONAS, offering a wide variety of affordable and customer-centric solar energy solutions. These solutions include on-site rooftop solar, off-site solar and advanced analytics energy monitoring solutions.

In July 2020, PETRONAS secured its first commercial customer for rooftop solar, Tesco Stores (Malaysia) Sdn Bhd (Tesco). NE Suria Satu Sdn. Bhd., a joint venture between PETRONAS and NEFIN Group, a regionally renowned bespoke solar developer, to provide a solar rooftop solution covering the design, installation, operation and maintenance of solar photovoltaic (“PV”) panels for 15 sites in Malaysia. A 20-year power purchase agreement between NE Suria Satu Sdn. Bhd. and Tesco, of which the first phase of the project will collectively generate 18GWh of clean energy per year, is the largest commercial solar power purchase agreement of its kind in Malaysia. The construction for the project has been completed for 13 sites, and 8.6MW of solar PV system capacity has been energized and commissioned from October 19, 2020.

PETRONAS’ subsidiary, PETRONAS Power Sdn. Bhd. (“PPSB”), has a 70% interest in a solar farm in Gebeng, Pahang, and through its joint venture company, Voltage Renewables Sdn. Bhd., it operates the farm and supplies approximately 10MW of power generated to Tenaga Nasional Berhad. Taking advantage of the surface areas of its numerous facilities and petrol stations, PETRONAS, through PPSB, has also initiated “**Project SINARAN**,” through which PETRONAS installs solar panels at its assets as part of the company’s greenification effort and to complement its electricity usage. As at December 31, 2020, 8.3 MW capacity has been installed under Project SINARAN for Malaysia Marine and Heavy Engineering Holdings Berhad. In 2020, PPSB signed a power purchase agreement to install 7.3MW capacity for Universiti Teknologi PETRONAS (“UTP”) and received a final investment decision for installation of rooftop and ground solar panels with a capacity of 49MW for PETRONAS Refinery and Petrochemicals Complex (“PRPC”), which are expected to be brought online in 2021.

Going forward, PETRONAS will further assess the opportunities for expansion into other Asia Pacific countries, with its focus on emerging markets. As at December 31, 2020, PETRONAS was operating 663MW solar projects with more than 400MW of additional projects under development, supporting PETRONAS’ aspiration to own and operate 3GW of renewable energy capacity by 2024.

HYDROGEN BUSINESS

As part of its stepping-out efforts, PETRONAS has established PETRONAS Hydrogen to venture further into the hydrogen energy market, to go beyond hydrocarbon sources and become an end-to-end solution provider of hydrogen energy.

Currently, PETRONAS Hydrogen is actively pursuing collaborations with potential partners to establish a competitive hydrogen energy supply-chain, particularly in the Asia Pacific region. PETRONAS is undertaking joint-studies with domestic renewable power producers and more than 10 potential customers from Japan and South Korea. These efforts are reflected through two memorandums of understanding with a domestic hydroelectric power producer and JERA Co., Inc., a Japanese power producer, in November 2020 and February 2021, respectively, to collaborate on a wide range of low-carbon energy initiatives, including hydrogen.

DOWNSTREAM SEGMENT

PETRONAS’ downstream segment, backed by world class operations, infrastructure and manufacturing facilities, plays a strategic role in enhancing the value of PETRONAS’ petroleum resources by transforming them into high-quality, value-added products for the domestic and international markets.

REFINING & TRADING BUSINESS

PETRONAS operates crude oil refineries in Malaysia and South Africa, producing a wide range of value-added petroleum products, including gasoline, diesel, jet fuel, kerosene, naphtha, bunker fuel, LPG and lubricants, for both domestic and international markets. As at December 31, 2020, PETRONAS had a total domestic and international refining capacity of approximately 842,500 bpd.

Domestic Operations

PETRONAS owns and operates two refineries and one base oil refining plant in Melaka (collectively known as the “**Melaka Refinery Complex**”) and a refinery in Kertih (the “**Kertih Refinery**”). PETRONAS also jointly owns and operates a refinery in Pengerang, Johor (the “**Pengerang Refinery**”).

As at December 31, 2020, PETRONAS’ total domestic refining capacity was 742,500 bpd, which includes condensate splitting capacity. In the year ended December 31, 2020, the reliability rate of PETRONAS’ fully-owned refineries was 96.2%.

The following table sets forth annual throughput and capacity utilization for PETRONAS’ refineries and base oil refining plant in Malaysia for the years ended December 31, 2018, 2019 and 2020:

			Year Ended December 31,	Year Ended December 31,	Year Ended December 31,
			2018	2019	2020
	Design capacity ⁽¹⁾	Current capacity ⁽¹⁾⁽³⁾	Refinery utilization ⁽²⁾	Refinery utilization ⁽²⁾	Refinery utilization ⁽²⁾
MG3 Plant	16,000	20,000	69.8%	81.1%	94.2%
Melaka Refinery PSR-1	100,000	128,000	84.7%	94.5%	78.8%
Melaka Refinery PSR-2	100,000	170,000	91.0%	76.0%	78.3%
Kertih Refinery	123,300	124,500	97.1%	89.4%	92.2%
Pengerang Refinery ⁽⁴⁾	300,000	300,000	n.a	n.a	n.a
Total	639,300	742,500			

(1) In bpd.

(2) Refinery utilization compares actual throughput against the corresponding current capacity to gauge throughput efficiency for a refinery as a whole.

(3) The current capacity is calculated by using the PETRONAS Guideline, which is based on the facility’s nameplate capacity or the highest daily throughput sustained by the facility over 30 consecutive days, whichever is higher. The current capacity is reviewed when plant capacity changes due to plant revamp or modification or feedstock quality change.

(4) Capacity quoted refers to Pengerang Refinery’s full design and current capacity. PETRONAS owns 50% of the refinery, effectively owning half of the capacity. The Pengerang Refinery is scheduled for startup in 2021.

Melaka Refinery Complex. The Melaka Refinery Complex has two refining trains and a Group III base oil refining (“**MG3**”) plant.

Malaysian Refining Company Sdn. Bhd., a wholly-owned subsidiary of PETRONAS, owns and operates the two refining trains in the Melaka Refinery Complex. The first train (“**PSR-1**”) commenced operations in 1994 and has a current refining capacity of 128,000 bpd of light sweet crude. It also includes a condensate splitting facility. The second train (“**PSR-2**”), which commenced

operations in 1999 and has a current refining capacity of 170,000 bpd, can process relatively heavier imported sour crude, allowing PETRONAS to capture the higher margins offered by the complex refining operations for sour crude. Utilization of PSR-1 was affected by scheduled and additional maintenance operations in 2018 and utilization of PSR-2 was similarly affected in 2019. In 2020, utilization of both PSR-1 and PSR-2 were lower due to the slow-down in economic activities and lower demand as a result of COVID-19.

PETRONAS Penapisan (Melaka) Sdn. Bhd., a wholly-owned subsidiary of PETRONAS, owns and operates the MG3 plant in the Melaka Refinery Complex. The MG3 plant uses a high-wax feedstock sourced from PSR-1 and the Kertih Refinery to produce superior quality Group III base oil for use as feedstock for lubricants. The MG3 plant was the first Group III base oil facility in Malaysia, and it serves the automotive and industrial lubricant manufacturers in the domestic and international markets, with a particular focus on the Asian and European markets. The MG3 plant began operation in November 2008 and has a total capacity of approximately 20,000 bpd. The MG3 plant's utilization in 2018 and 2019 was affected by the scheduled and additional maintenance operations. In 2020, the MG3 plant's operations were stable with no major downtime recorded.

Kertih Refinery. PETRONAS Penapisan (Terengganu) Sdn. Bhd., a wholly-owned subsidiary of PETRONAS, owns and operates the Kertih Refinery. The Kertih Refinery, PETRONAS' first refinery, was commissioned in 1983 and has a current refining capacity of 124,500 bpd of Malaysian light sweet crude. The Kertih Refinery also includes a condensate splitting facility. The naphtha produced at the Kertih Refinery is used as feedstock for the aromatics plant which is adjacent to it and owned by PETRONAS Chemical Aromatics Sdn Bhd., which is 70% owned by PETRONAS Chemical Group Bhd and the other 30% owned by MJPX Company Ltd. The Kertih refinery plant's utilization was lower in 2019 mainly due to scheduled maintenance, while in 2020 it was affected by the slowdown in economic activities and lower demand as a result of COVID-19. See “—*Chemical Business—Kertih IPC.*”

Pengerang Refinery. Pengerang Refining Company Sdn. Bhd., a joint venture company between PETRONAS (50%) and Saudi Aramco (50%), owns and operates the Pengerang Refinery, which is one of the primary components of PIC. The Pengerang Refinery has a design capacity of 300,000 bpd and is designed to serve as the primary feedstock supplier to the naphtha cracker located at PIC as well as to produce petroleum products. The Pengerang Refinery is designed to be a full conversion refinery where the residue is hydro-treated and further cracked to maximize gasoline and light olefin yields. The high level of conversion technology selected for use in the refinery's units allows a large volume production of high value products such as low sulfur jet fuel, low sulfur fuel oil, Euro 4M gasoline, Euro V gasoline and Euro V diesel.

The Pengerang Refinery, along with other units in the PIC, is scheduled for startup in 2021. For further information regarding PIC, see “—*Pengerang Integrated Complex*” below.

International Operations

South Africa. PETRONAS has an oil refining presence in Africa through its 74% owned subsidiary Engen. Engen owns and operates a medium complexity refinery in Durban, South Africa, with approximately 100,000 bpd of current crude capacity. PETRONAS manages crude sourcing for Engen's refinery. Phembani Group (Pty) Limited, a South African based holding company focusing on the broader energy sector, holds a 21.2% interest in Engen while a consortium led by Phembani Group (Pty) Limited holds the remaining 4.8% interest.

On December 4, 2020, a fire occurred at the Engen Refinery in Durban. The fire was brought under control with no injuries reported. The refinery process units were safely shut down and

investigations are currently underway to determine the cause of the incident. Business continuity plans have been activated during the shutdown, to ensure minimal supply disruptions for certain key products, including mogas, diesel, illuminated kerosene, commercial burner fuel, jet A-1, fuel oil and specific chemicals through importation as well as negotiations with other oil companies for product supply.

Refinery Margin Optimization

PETRONAS' refining business is supported by PETRONAS Trading Corporation Sdn. Bhd. and its subsidiaries ("PETCO"), PETRONAS' wholly owned subsidiary and global trading arm that seeks to maximize PETRONAS' refinery margin as the molecule-owner of the feedstock and petroleum products produced by the refineries in Terengganu and Melaka. PETCO is also the off-taker for PETRONAS' share of petroleum products to be produced by the Pengerang Refinery.

PETCO's principal business activities are the marketing of crude oil, including Malaysian and other crudes, and the trading of crude oil and petroleum products such as LPG, naphtha, mogas, jet fuel, gasoil, fuel oil and special products in over 30 countries worldwide. PETCO also sources feedstock for PETRONAS' refineries, including Engen's refinery in South Africa, and petroleum products for the downstream segment's retail requirements. Through its trading activities, PETCO also engages in price discovery process as well as hedging activities, which provide it with visibility in the marketplace and allow it to price its purchases and sales accordingly.

With over 27 years of international marketing and trading experience in the crude oil and petroleum product' business, PETCO has built its reputation as a reliable and trustworthy counterparty. Through its reputation and strong relationships, PETCO has secured sustainable outlets and markets for its molecules through a portfolio of spot, short-term and long-term customers. For the year ended December 31, 2020, PETCO and its subsidiaries marketed, sourced, processed and traded 196 mmbbl of crude oil and 178 mmbbl of petroleum products.

MARKETING AND RETAIL BUSINESS

Domestic Operations

PETRONAS Dagangan Berhad ("PDB"), a 63.9% owned subsidiary of PETRONAS as at December 31, 2020, is the principal marketing arm of PETRONAS. PDB was listed on Bursa Malaysia in 1994 and had a market capitalization of approximately RM21.26 billion as at December 31, 2020.

PDB is Malaysia's leading retailer and marketer of downstream petroleum products, including gasoline, LPG, jet fuel, kerosene, diesel, fuel oil, asphalt and lubricants. Retail prices of gasoline and diesel in Malaysia are regulated, and the prices of these products for end-buyers are determined through a managed float mechanism. PDB offers its products to customers in the following four business segments:

- **Retail.** PDB offers fuel and non-fuel products, services and a seamless experience to consumers at its network of more than 1,000 service stations and 800 convenience stores across the country.
- **Commercial.** PDB's commercial segment encompasses a fully integrated business focusing on sales and marketing of bulk petroleum products to commercial customers.

- **LPG.** PDB's LPG segment involves the sale and marketing of LPG to household, commercial and industrial customers.
- **Lubricant.** Through its wholly owned subsidiary, PETRONAS Lubricants Marketing (Malaysia) Sdn. Bhd., PDB undertakes all sales and marketing functions of PETRONAS lubricant products in Malaysia.

As at December 31, 2020, PDB had a network of more than 1,000 service stations, 8 LPG terminals and bottling facilities, 17 fuel terminals, 13 aviation terminals, and 10 bunkering facilities in Malaysia. This extensive network of supply allows PDB to maintain market leadership in Malaysia.

In addition to the infrastructure listed above, PDB owns an interest in PS Pipeline Sdn. Bhd., a 50/50 joint venture company with Shell Malaysia Trading Sdn. Bhd. that operates the Multi-Product Pipeline and the Klang Valley Distribution Terminal ("MPP-KVDT") located south of Kuala Lumpur. The pipeline is used to transport gasoline, jet A-1 fuel and diesel from PETRONAS' Melaka Refinery Complex and Hengyuan's and Petron's refineries in Port Dickson to the MPP-KVDT and the Kuala Lumpur International Airport.

PDB also owns a 65% interest in Kuala Lumpur Aviation Fueling System Sdn. Bhd., a joint venture with Malaysia Airport (Properties) Berhad (20%) and Malaysia Airlines Berhad (15%), that operates a jet fuel storage facility and hydrant line system at the Kuala Lumpur International Airport.

As part of PDB's continuous focus on customer-centricity and its efforts in strengthening its market leadership, PDB launched Setel in 2018, which was Malaysia's first mobile application that creates a seamless on-the-go refueling and retail experience for PETRONAS customers. As at December 31, 2020, Setel was available at more than 1,000 stations across the country. Another solution offered by PDB is ROVR, an innovative on-demand mobile fuel delivery service in Malaysia and Southeast Asia, which was launched in 2018. Initially started as a business-to-business solution, ROVR offerings now include a business-to-consumer solution. PDB has also now extended its offerings as part of PETRONAS' integrated value chain by providing more access to LNG solutions using trucks that are reloaded at an LNG filling facility in Pengerang, Johor, to off-grid customers in Peninsular Malaysia. The first delivery of LNG through the Virtual Pipeline System was completed in September 2020, and PDB will continue to explore expanding its supply channels to build a stronger clean energy sector across industries.

International Operations

PETRONAS has a focused and disciplined strategy to market its products internationally. It seeks to maintain a strategic foothold in neighboring markets in South and Southeast Asia in order to optimize distribution channels and maximize sales of its products in these regions. PETRONAS also has marketing operations in South Africa, where it has an oil refining presence, and in other parts of Africa.

South and Southeast Asia. PETRONAS actively markets its products in several countries in South and Southeast Asia. In Thailand, it markets lubricants through a wholly-owned subsidiary. PETRONAS also has a marketing presence in India through a 50:50 joint venture that imports, stores, bottles and markets LPG through two LPG terminals, one in West Bengal with a storage capacity of 31,500 metric tons and another in Tamil Nadu with a storage capacity of 33,200 metric tons.

South Africa. PETRONAS has a marketing presence in Africa through its 74% owned subsidiary Engen, a fully integrated downstream business with operations across the value chain in six Sub-Saharan countries and Mauritius. In addition to owning and operating an oil refinery in Durban, South Africa, Engen is a leading retailer and marketer of petroleum products, with more than 1,000 service stations and 600 convenience stores in South Africa and more than 200 service stations in Botswana, the Democratic Republic of Congo, Eswatini, Lesotho, Mauritius and Namibia. Its primary focus is the refining, marketing and supply of fuels and oils for industrial and automotive applications. The petrol price in South Africa is regulated by the government and adjusted monthly according to international and domestic factors and costs. On March 1, 2019, Engen concluded a transaction with Vivo Energy plc (“**Vivo Energy**”), pursuant to which Engen transferred its businesses in Kenya, Gabon, Malawi, Mozambique, Reunion, Rwanda, Tanzania, Zambia and Zimbabwe to Vivo Energy in exchange for a 5% shareholding in Vivo Energy and a cash consideration of U.S.\$62.1 million.

Lubricants

PETRONAS Lubricants International (“**PLI**”) is PETRONAS’ global lubricants manufacturing and marketing arm. Established following PETRONAS’ acquisition of FL Selenia in 2008, PLI is currently ranked among the world’s top 10 lubricant players. PETRONAS’ lubricants business is significant in its strategic importance, providing a platform from which PETRONAS is able to strengthen its brand recognition and technological capabilities.

PLI manufactures and markets a full range of high-quality automotive and industrial lubricant products including transmission fluid, anti-freeze/coolant and hydraulic, grease, and base oil for automotive and industrial use as well as a range of car care products in over 100 markets globally. As at December 31, 2020, PLI owns and operates eight blending facilities worldwide, with a combined production capacity of approximately 800 million liters.

Since 1995, PLI has been the technical resource behind PETRONAS’ various motorsport partnerships. PLI is PETRONAS’ Technical Partner to the MERCEDES-AMG PETRONAS Formula One Team, and is responsible for the design, development and delivery of Fluid Technology Solutions™ with customized lubricants, fuel and transmission fluids, which has powered the team to a record-breaking seven consecutive FIA Formula One Constructors and Drivers World Championships since 2014. In motorcycle racing, PLI is a provider of technical expertise in designing, developing and delivering high-performance Fluid Technology Solutions™ for PETRONAS Yamaha Sepang Racing Team in MotoGP, which had a successful debut and won the Independent Team Rider’s title in 2019, and for PETRONAS Sprinta Racing Team in the Moto2 and Moto3 championships. PLI also has long-lasting technical and commercial relationships with Iveco as the title sponsor and technical partner for the PETRONAS De Rooy IVECO Team in both the Dakar and Africa Eco Race. These Fluid Technology Solutions™ teams achieved championships in 2012 and 2016 and top-3 finishes in 2014, 2017 and 2019.

Supporting PLI’s business and product development is its Global Technology Centre in Turin, Italy, which was launched in 2018 and serves as the global hub for PLI’s technology development activities. This center works together with a satellite technology center for motorcycle lubricants at Patalganga in Maharashtra, India and a satellite technology center for industrial lubricants in Belo Horizonte, Brazil. PLI also owns a 50% stake in the Guangxi Nanning Yuchai PETRONAS Lube’s research & development center in China’s Guangxi province.

Headquartered in Kuala Lumpur, PLI has over 25 marketing offices in 23 countries, managed through regional offices in Kuala Lumpur, Malaysia; Turin, Italy; and Belo Horizonte, Brazil. With

over 110 years of cumulative experience in the lubricant business before its acquisition by PETRONAS, PLI possesses in-depth knowledge in customers' demands and has built valuable business partnerships across the globe with established manufacturers such as Fiat-Chrysler Automobiles, Case New Holland, Mercedes Benz, BMW, IVECO Motors and Yuchai.

CHEMICAL BUSINESS

PETRONAS' chemical business is consolidated under PETRONAS Chemicals Group Berhad ("PCG"), which is the leading integrated chemicals producer in Malaysia and the largest gas-based chemicals producer in Southeast Asia. PCG was listed on Bursa Malaysia in November 2010. As at December 31, 2020, PETRONAS owned a 64.4% interest in PCG, which had a market capitalization of approximately RM59.4 billion.

PCG is the holding company for all of PETRONAS' chemical production, marketing and trading subsidiaries. PCG's product portfolio is divided into three segments: olefins and derivatives, fertilizers and methanol, and others. PCG's olefins and derivatives segment manufactures and sells a wide range of olefin and polymer products ranging from ethylene and propylene, which are used as a basic feedstock for other products, to intermediate products such as ethylene oxide, ethylene glycol, butanol chemicals, as well as various ethylene derivatives. PCG's fertilizers and methanol segment produces and sells methanol, urea, ammonia, carbon monoxide and oxogas. PCG's other products and services include silicone-based chemical, lubricant products, ancillary services (including port services for product distribution infrastructure) and other specialty chemical products that are expected to be added in the future. In addition, PCG's joint ventures and associates produce and sell a range of other chemicals, including acrylics, oxo-alcohols, styrene monomer and acetic acid.

PCG had a production capacity of approximately 12.8 mmtpa as at December 31, 2020 from 11 production sites in Malaysia, the Netherlands, Canada, Singapore and Germany. Two of the sites in Malaysia, namely Kertih and Gebeng, are fully integrated chemicals complexes ("IPCs"). Through the development of its IPCs, PETRONAS seeks to achieve a competitive advantage through the consolidation of petrochemical projects using common or related feedstock and common facilities within a single self-contained complex. The Kertih and Gebeng IPCs have helped establish Malaysia as a leading petrochemical production hub in Asia. The continued integrated development of Malaysia's petrochemical industry is expected to advance the country's industrial base, especially the plastics and chemical-based component manufacturing industries. PETRONAS' long-term strategy is to promote and participate in downstream expansion and to support the industrial development of Malaysia.

Kertih IPC

Established in 1990s, the Kertih IPC is located on the east coast of Peninsular Malaysia and consists principally of ethylene-based petrochemical projects. The petrochemical projects include two ethylene crackers, a polyethylene plant, an ethylene oxide/ethylene glycol plant, a multi-unit derivatives plant, ammonia synthesis gas plants, an acetic acid plant, an aromatics complex and a low-density polyethylene plant. The Kertih IPC's petrochemical projects are fully integrated with the surrounding infrastructure facilities and other process plants in Kertih, including six gas processing plants and the Kertih Refinery, which are located within the IPC.

Gebeng IPC

Established in 2000, The Gebeng IPC is also located on the east coast of Peninsular Malaysia. It principally contains propylene-based petrochemical projects. The anchor project at the Gebeng

IPC is a joint venture between PCG and BASF that owns and operates an acrylic acid/acrylic esters plant, and an oxo-alcohols complex. This joint venture has invested in further specialty chemicals, including aroma chemicals, 2-ethyl hexanoic acid, and highly reactive poly iso-butylene, which reached commercial operations between 2016 and 2018. In addition, PCG, through a wholly-owned subsidiary, owns and operates an MTBE/propylene plant and a propane dehydrogenation plant. The Gebeng IPC is also host to a number of multinational chemical companies, such as Reliance Industries Limited, which owns and operates a purified terephthalic acid plant, and Eastman Chemicals, which owns and operates a co-polyester plastic resin plant.

Other Chemical Operations in Malaysia

In addition to the Kertih IPC and Gebeng IPCs, PCG also owns six standalone plants throughout Malaysia, including a 2.4 mmtpa methanol production facility in Labuan. PCG's facility in Labuan positions it as the largest methanol producer in Southeast Asia and the world's fourth largest by capacity.

For urea and ammonia production, PCG fully owns and operates PETRONAS Chemicals Fertiliser Kedah plant in Gurun, Kedah as well as PETRONAS Chemicals Fertiliser Sabah plant in Sipitang, Sabah. PCG also has a 63.47% interest in ASEAN Bintulu Fertilizer Sdn. Bhd., a fertilizer complex in Bintulu, Sarawak, which is jointly owned with government-related companies and government entities from four other ASEAN-member countries. PCG is currently the second largest urea and ammonia producer in Southeast Asia with a total production capacity of 2.6 mmtpa of urea and 2.0 mmtpa of ammonia as at December 31, 2020.

Specialty Chemicals

As global trends are reshaping the energy landscape, consumption patterns and consumer demand, PETRONAS is stepping out into specialty chemicals, along with renewable energy, as part of its three-pronged growth strategy to build its capabilities and allocate resources to new businesses in order to capitalize on external disruptions and better position PETRONAS for the future.

In September 2019, PCG acquired 100% of Da Vinci Group B.V., which owns the BRB group of companies, the world's largest independent producer and formulator of silicone fluids and silicone intermediate products. This acquisition marks PCG's entry into specialty chemicals, focusing on manufacturing silicones, lube oil additives and other chemicals. With 39 years of experience in the market, BRB group of companies provides PCG with technical knowledge, supply network and market reach in formulating and manufacturing silicones, lube oil additives and chemicals with global operations and market presence in 15 locations around the world, enhancing PCG's competitive position in attractive end-markets such as personal care, construction, paints and coatings, electronics, automotive, and healthcare.

In September 2020, PCG signed an agreement with LG Chem to build a nitrile butadiene latex manufacturing plant at PIC. This marks PCG's entry into the growing nitrile butadiene latex-based product market, creating new revenue streams for PCG and enhancing its presence in the Asia Pacific region. The construction of this plant is expected to begin in 2021, and production is scheduled to start in 2023. Upon completion, the plant is expected to have an annual nitrile butadiene latex production capacity of 0.2 mmtpa.

PCG also entered into a share sale and purchase agreement in September 2020 with PCC SE to acquire a 50% interest in PCC SE's Malaysian subsidiary, PCC Oxyalkylates Malaysia Sdn Bhd. This acquisition marks PCG's entry into the growing oxyalkylates market, which includes

ethoxylates, which are used in the production of detergent, home care and personal care products, and polyether polyols, which are mainly used to produce foam mattresses and upholstery applications. Demand for these two types of chemicals are expected to grow especially in the Southeast Asia and the Asia Pacific regions.

Sales and Marketing of Chemical Products

PCG markets and trades chemical products through its marketing subsidiaries, PETRONAS Chemicals Marketing Labuan Ltd. and PETRONAS Chemicals Marketing Sdn. Bhd. As the main marketing arms for PCG chemical products, these entities are leading marketers of chemicals, fertilizers and polymer products in the Southeast Asia region. PCG also has a wide regional presence through its representative offices in Vietnam and the Philippines and marketing subsidiaries in Thailand, Indonesia and China. As at December 31, 2020, 66% of PCG sales were concentrated in Southeast Asia, 22% in Northeast Asia and 12% in the rest of the world.

PENGERANG INTEGRATED COMPLEX

PIC is the largest integrated refinery and petrochemical greenfield development in Malaysia, occupying an area of over 6,000 acres in Pengerang, Johor. With operations expected to commence in 2021, PIC will be PETRONAS' largest integrated complex, bigger in scale than its existing IPCs at Kertih and Gebeng combined, and PIC's production is expected to be marketed to customers in Malaysia, as well as the Southeast Asian and Asia Pacific regions.

Pengerang Refining Company Sdn. Bhd., a 50/50 joint venture company between PETRONAS and Saudi Aramco, owns and operates the Pengerang Refinery, which is an integrated crude oil refinery, naphtha cracker and petrochemical complex. The Pengerang Refinery has a design capacity of 300,000 bpd and is designed to serve as the primary feedstock supplier to the steam cracker located at PIC as well as produce petroleum products such as low sulfur jet fuel, low sulfur fuel oil, Euro 4M gasoline, Euro V gasoline and Euro V diesel. Pengerang Refining Company also owns and operates the steam cracker. The steam cracker has a design capacity of more than 3 mmtpa of ethylene, propylene, C4 olefins and aromatic products. These products will be used as feedstock in the downstream petrochemical complex to produce highly differentiated and specialized polymers and chemicals products.

Pengerang Petrochemical Company Sdn. Bhd., a 50/50 joint venture company between PCG and Saudi Aramco, undertakes petrochemical projects within PIC in the polymers and glycols segments, with an expected combined total capacity of approximately 3.1 mmtpa, with PCG owning 50% of the capacity.

Included within PIC is an isononanol production plant owned by PETRONAS Chemicals Isononanol Sdn. Bhd., a wholly owned subsidiary of PCG, with an expected capacity of 0.25 mmtpa. Together with PCG's share of PIC's polymers and glycols production, through PIC, PCG will add approximately 1.8 mmtpa to its total capacity once PIC starts its operation in 2021.

In addition to the Pengerang Refinery, PIC also includes an LNG regasification terminal and gas pipeline system, a cogeneration plant and transmission lines, an air separation unit, common utilities and offsite facilities, water supply facilities, a solid product handling facility and jetty, and a liquid bulk terminal storage and marine facilities for crude, petroleum products and petrochemicals. These facilities, owned by PETRONAS' subsidiaries and joint venture entities, are ready for operations.

Following a fire incident involving the Pengerang Refinery's diesel hydrotreater unit in March 2020 that delayed both refinery and chemical operations, PIC is focused on achieving operational readiness to allow for safe, reliable and efficient operations. PIC is gearing towards an integrated start-up of the entire facility in 2021, with the current focus on completing critical-path repair work, with teams from both JV partners closely supporting this work.

CORPORATE AND OTHERS SEGMENT

LOGISTICS AND MARITIME BUSINESS

As at December 31, 2020, PETRONAS' corporate and other business division primarily consisted of its 51.0% interest in MISC, a leading international maritime company in Malaysia with its core businesses being energy shipping and its related activities, owning and operating PETRONAS' offshore floating solutions (excluding PFLNG Satu and PFLNG Dua), marine repair and conversion, as well as engineering and construction works. MISC is listed on the Main Board of Bursa Malaysia with a market capitalization of RM30.7 billion as at December 31, 2020. MISC and its subsidiaries serve as PETRONAS' primary LNG transportation provider and its principal logistics solutions provider, both for customers and also in support of PETRONAS' own marketing and trading activities. MISC's fleet consists of 29 LNG carriers, 2 floating storage units, 1 Very Large Ethane Carrier ("VLEC"), 1 LNG bunker vessel, 76 petroleum and product tankers and 14 floating facilities for use in offshore oil production as at December 31, 2020.

MISC is among the world's largest single owner-operators of LNG tankers. As at December 31, 2020, seven of its LNG tankers were on 20-year time charters to MLNG for the transport of LNG to MLNG's customers in Japan, Korea and Taiwan (ROC). Another 15 of its LNG tankers were under charter to PETRONAS LNG Sdn. Bhd. and PETRONAS LNG Limited for its LNG trading business, along with two LNG floating storage units for use at PETRONAS' regasification plant in Malacca. The remaining LNG tankers are currently under charter to third parties, with four on short-term charters. In November 2020, MISC marked its maiden foray as the commercial operator and ship manager of PETRONAS' first LNG bunkering vessel, the 7,500 cubic meter MV Avenir Advantage, for PETRONAS' commercial LNG bunkering services in Southeast Asia. This marks MISC's new venture with PETRONAS in non-conventional LNG asset solutions. MISC has also entered into memorandum of agreements for the purchase of six VLEC newbuilds and concurrently entered into time charter parties for the time charter of the six VLECs for operations in international waters. One VLEC delivery was completed in October 2020 with the remaining five newbuild deliveries expected in 2021.

MISC's offshore business provides floating production storage and offloading units ("FPSOs") and floating storage offloading units ("FSOs") to support oil and gas companies operating offshore in the production, storage and evacuation of oil and gas. These types of facilities, which include both wholly-owned and jointly-owned units, enable commercial oil production and storage in more remote and deepwater areas. MISC started its offshore floating facilities business with the conversion of an MISC-owned petroleum tanker into an FPSO in 2003 and, as at December 31, 2020, MISC maintains five FSOs, six FPSOs, two mobile offshore production units and one semi-submersible floating production system. PETRONAS and its subsidiaries are among the major clients of MISC's offshore business. In August 2020, MISC secured its maiden deep-water FPSO project in Brazil, the Mero 3 FPSO, through a letter of intent from Petrobras. The Mero 3 FPSO is expected to commence operation in the first half of 2024. In November 2020, MISC completed one FSO, which has received the first condensate for the Sao Vang and Dai Nguyet Project offshore Vietnam.

MISC's petroleum arm, AET Tanker Holdings Sdn. Bhd, transports crude oil, petroleum products and chemicals for the world's largest oil companies, trading houses and refiners and also

offers specialist services such as operating dynamic positioning shuttle tankers (“**DPSTs**”) and modular capture vessels and performing ship-to-ship transfers of crude oil cargoes. As at December 31, 2020, AET Tanker Holdings Sdn. Bhd owned 29 Aframax oil tankers, making its fleet one of the largest in the world, and its DPST fleet size is expected to increase from ten vessels as at December 31, 2020 to seventeen vessels with the addition of seven newbuilds scheduled to be delivered by the end of 2022.

MISC, through its subsidiary, Malaysia Marine and Heavy Engineering Holdings Berhad (“**MHB**”), provides a wide range of oil and gas production facilities and services in offshore construction, offshore conversion and marine repair. MHB is listed on the Main Board of the Bursa Malaysia. As at December 31, 2020, PETRONAS indirectly held a 33.9% interest in MHB, and MHB had a market capitalization of approximately RM0.7 billion. MHB has several ongoing contracts and services for PETRONAS, such as the Bokor Phase 3 Re-development project and EPCIC Kasawari Gas Development project. In November 2020, MHB obtained the Certificate of Completion and Compliance for Dry Dock 3 operations from Local Council (Pasir Gudang), which will expand the capacity of its marine business.

MISC also wholly owns Malaysian Maritime Academy Sdn. Bhd., which manages Akademi Laut Malaysia, a leading maritime academy that provides in-house maritime education and training for MISC’s employees as well as to other maritime industry participants. For more details, see “—*Education.*”

REAL ESTATE BUSINESS

In addition to its core logistics and maritime business, PETRONAS’ corporate and other business division also holds certain interests in real estate located in Malaysia.

Kuala Lumpur City Centre

KLCC (Holdings) Sdn Bhd

KLCC Holdings Sdn Bhd (“**KLCC Holdings**”) is PETRONAS’ strategic arm for its property business. Owned 100% by PETRONAS, it develops and manages real estate properties in the Kuala Lumpur City Centre (“**KLCC**”).

KLCC is an integrated and mixed commercial development with office, convention and exhibition, retail, hotel, residential and recreational facilities within a park setting. The development site is located on a 100-acre prime site situated in the commercial hub of Kuala Lumpur. 60 acres of the site have been designated as a public park and open space, with the remaining 40 acres allocated for commercial development over 15 to 20 years. As at December 31, 2020, more than 32.4 acres have been commercially developed. The PETRONAS Twin Towers form the most prominent feature of the KLCC development and house PETRONAS’ headquarters. Completed in early 1997, they are the world’s tallest twin towers at a height of 451.9 meters.

KLCC Property Holdings Berhad (“**KLCC Property**”) is a subsidiary of KLCC Holdings and was listed on the Main Board of Bursa Malaysia in 2004. In 2013, KLCC Property undertook a corporate restructuring exercise involving the restructuring of the KLCC Property group into a stapled structure known as “KLCCP Stapled Group.” KLCCP Stapled Group offers units in an Islamic real estate investment trust (“**KLCC REIT**”) that trades as a unit together with the ordinary shares of KLCC Property.

Listed on May 9, 2013, KLCC Stapled Group is the first and only stapled security listed on Main Board of Bursa Malaysia. It is a diversified office-focused REIT, which also includes retail and hotel assets in its portfolio mix. Apart from the office assets, namely the PETRONAS Twin Towers, Menara ExxonMobil, Menara 3 (hybrid of office and retail), Menara Maxis and Kompleks Dayabumi, KLCC stapled Group also has interests in Suria KLCC, a premier shopping mall, and Mandarin Oriental Kuala Lumpur, a 5-star hotel. As at December 31, 2020, KLCC Stapled Group had a market capitalization of RM12.8 billion with ownership of 64.68% by PETRONAS' subsidiary KLCC Holdings and 2.26% directly by PETRONAS.

KLCC Holdings is currently undertaking partnership projects within the KLCC development, namely the Lot 91 and Lot 185. The Lot 91 project is a partnership with Sapura Resources Berhad for a mixed commercial development consisting of a premier A-class office tower, retail spaces and convention center podium to be integrated with the Kuala Lumpur Convention Centre. The convention center podium opened in September 2019 while the office and retail spaces are targeted for completion in the first quarter of 2021. The Lot 185 project is a partnership with Qatari Diar Asia Pacific Ltd., the investment arm of Qatari Investment Authority, for mixed commercial development consisting of retail podium, office tower and a hotel, which is expected to be built in phases.

Apart from its partnership projects, KLCC Holdings is also undertaking the Lots L, L1 & M project, which is planned to be developed as an art and cultural hub that will comprise six levels of retail, two levels of PETRONAS gallery and is an integrated development with the KLCC East Station MRT Line 2. This project is currently scheduled to be completed by the end of 2023 after the completion of KLCC East Station.

Putrajaya

Putrajaya Holdings Sdn Bhd (“**PJH**”) is the master developer of Malaysia's federal government administrative capital, Putrajaya, and it was given the task of translating the vision of Putrajaya into reality through the 20-year Putrajaya Masterplan. Through KLCC Holdings, PETRONAS holds a 64.4% interest in PJH, with Khazanah Nasional Berhad holding a 15.6% interest and Kumpulan Wang Amanah Negara holding a 20% interest.

PJH is responsible for formulating, planning, implementing and funding all Putrajaya-related development activities for the Government of Malaysia. In return, PJH receives commercial and public residential land for development as well as rental payments in respect of properties subleased to the Government.

Putrajaya is located approximately 25 kilometers south of Kuala Lumpur and approximately 20 kilometers north of Kuala Lumpur International Airport. The Putrajaya Masterplan covers the development of 20 precincts and is divided into two major areas: the core area and the periphery area. The core area consists of five precincts: the Government precinct and the civic and cultural, commercial, sports and recreational, and mixed development precincts, linked by a 4.2 kilometer boulevard.

As at December 31, 2020, PJH had developed 38 sub-leased government buildings with a total gross built-up area of 43.3 million square feet and it held 615.7 acres of undeveloped land in Putrajaya. Approximately 54.0% of the undeveloped land is planned for commercial development and 46.0% is planned for residential development. In 2013, PJH started acquiring development land outside Putrajaya. As at December 31, 2020, PJH had developed buildings outside Putrajaya with a total gross built-up area of approximately 683,753 square feet and it held 1,686.2 acres of undeveloped land outside Putrajaya.

VENTURE CAPITAL

Established in 2019 with a target investment size of U.S.\$350 million, PETRONAS Ventures drives technology innovation to maintain PETRONAS' competitive edge in an ever-disruptive and challenging business environment. PETRONAS Ventures is focused on Industry 4.0, advance materials and specialty chemicals as well as the future of energy. PETRONAS Ventures is expected to invest in early- to growth-stage companies and will leverage on PETRONAS' global network across the energy value-chain to achieve strong alignment and strategic fit with its co-investors and partners, in helping startups to scale up.

Notable investments by PETRONAS Ventures are SOLS Energy Sdn. Bhd., a solar PV system start-up with the aim of strengthening PETRONAS' commitment as a solutions partner in the renewable energy sector, Braintree Technologies Sdn. Bhd., an agriculture technology startup that develops AI-driven robots for farm automation, as well as Velo3D Inc, a 3D metal printing specialist.

PETRONAS Ventures has spun off PETRONAS FutureTech, a technology accelerator program to encourage local innovations and support Malaysian startups to succeed in the global marketplace. This program is the first of its kind in Malaysia, aiming to discover and nurture home-grown technology entrepreneurs, scale them up to global standards and build and influence Malaysia's tech-driven startup ecosystem.

PROJECT DELIVERY & TECHNOLOGY (“PD&T”) DIVISION

In April 2016 PETRONAS established its Project Delivery and Technology Division (“PD&T”) as a center of excellence (“CoE”) by merging several business functions including the Downstream Technology and Engineering Division, and Upstream Technical Function. In August 2020, with a vision of success beyond technology, PETRONAS Group Digital was incorporated into PD&T to accelerate PETRONAS' digital transformation.

PD&T integrates and centralizes PETRONAS' project management, techno-digital, and technical and engineering functions—establishing a single internal technical service provider for the business. The centralization of these functions creates synergies for value-chain integration, reduces costs and improves efficiency towards excellence in project delivery and operational asset performance with differentiated technologies across PETRONAS.

The PD&T division includes the following functions:

Project delivery. PETRONAS' Group Project Delivery manages delivery of various PETRONAS projects. Working together with the upstream, downstream, gas and new energy and corporate businesses, it focuses on excellence in project delivery to achieve value optimization of PETRONAS' projects.

Technical services and solutions. PETRONAS' Group Technical Solutions function (“GTS”) provides standardized, value-added, customer-focused engineering solutions and project management capabilities in executing engineering works for PETRONAS' projects. As the technical CoE, GTS shapes and delivers technical and engineering solutions, focusing on asset integrity management and operational optimization, aimed at minimizing production costs and maximizing the reliability, safety and operational performance of PETRONAS' plants and facilities. GTS also focuses on driving innovation, specifically in techno-digital and sustainable technologies, and works on de-risking and up-scaling PETRONAS' new technologies for deployment, primarily in PETRONAS' own plants and operations.

Technology research, development and commercialization. PETRONAS' Group Research & Technology function undertakes the research, development and commercialization of technology programs for PETRONAS through the following PETRONAS' wholly-owned subsidiaries:

- PETRONAS Research Sdn. Bhd is responsible for the research, development and piloting of technologies, and it is involved in the deployment execution with relevant parties following successful piloting of technologies.
- PETRONAS Technology Ventures Sdn Bhd is responsible for the commercialization of PETRONAS' technologies and managing its intellectual property rights through filings, exploitation and disposal.

Digital Products and Solutions. PETRONAS Group Digital facilitates the digital transformation in PETRONAS through its unique role in PD&T to accelerate technology and enable PETRONAS to be a digitally enabled organization. PETRONAS Digital Sdn. Bhd., a wholly-owned subsidiary of PETRONAS, focuses on efficient and optimized digital projects and solutions delivery, modern IT operations for sustainably running and maintaining PETRONAS' asset, and as a CoE to safeguard PETRONAS' digital and information and communication technology landscape for cybersecurity, enterprise architecture and data. PETRONAS Digital Sdn. Bhd. also collaborates with Group Digital to deliver strategic investments in digital across the value chain and introduce new, selective and experimental investments in innovative ventures as part of PETRONAS' "Stepping Out" strategy.

EDUCATION

PETRONAS' presence and contribution in the field of education and learning are reflected in the wide spectrum of its investment in education, learning and human capital development. These range from the sponsorship of students in secondary schools and institutions of higher learning, both in Malaysia and overseas, to the programs offered by its various educational and learning institutions, namely UTP, Institut Teknologi Petroleum PETRONAS ("**INSTEP**"), Akademi Laut Malaysia ("**ALAM**"), PETRONAS Leadership Center ("**PELC**"), PETROSAINS, and Yayasan PETRONAS.

- UTP, established in 1997, is a leading private university in Malaysia at the forefront of education and research in technology and engineering. UTP offers a wide range of industry-relevant engineering, science and technology programs at undergraduate and postgraduate levels. It aims to produce well-rounded graduates who are creative and innovative with the potential to become leaders of industry and the nation, as well as to expand the frontiers of technology and education for the betterment of society. UTP has produced more than 15,000 graduates and currently has an enrolment of over 1,200 foundation students, 6,000 undergraduates and 1,200 postgraduates from more than 60 countries around the world.
- INSTEP is a state-of-the-art technical training institute. It was established in 1981, aiming to accelerate human capital development to support the growth of PETRONAS, as well as Malaysia's oil and gas industry. INSTEP collaborates with strategic and value-adding partners from the oil and gas community to further enhance the institute's offerings and thus the learners' experience. It is an internationally recognized integrated oil and gas technical training center that has served clients from more than 30 countries, as part of its aspiration to be "*A Leading Partner of Choice in Oil and Gas Technical Learning and Certification.*" The integrated Upstream Downstream Training Plant at INSTEP simulates real plant scenarios to enhance the competency of learners through hands-on training and

experiential learning for safe, efficient and responsible exploitation of hydrocarbon resources.

- ALAM is Malaysia's leading maritime education and training ("MET") institution, which aims to create a clear and defined path to maritime success. It is ranked in the top 10% of the world's MET institutions, offering maritime-related training with world class educational and training standards. It offers a full range of maritime shipping related training to seafarers serving onboard domestic as well as foreign going vessels and for shore-based shipping personnel. This includes the training for new entrants (cadetship training) to the highest level of Master / Chief Engineer COC. To date, ALAM has trained over 10,000 seafarers who occupy nearly all key positions in the merchant marine sector in Malaysia, afloat and ashore.
- PELC was established to strategically serve as PETRONAS' corporate learning and development hub. From its beginning in 1979, PELC has developed the finest range of learning and consultancy solutions and services to deliver impactful learning experiences covering all aspects of management and leadership. PELC serves as the strategic partner that provides expertise in leadership and learning development, creates platforms for learning as well as collaboration, and shapes the learning culture for the development of talents and future growth of PETRONAS.
- PETROSAINS is an interactive, experiential and hands-on science discovery center in KLCC. Established in 1999, PETROSAINS provides an environment for experiential learning of science and technology, with particular focus on petroleum science. The exhibits, activities and workshops are designed to inspire young people and stimulate their interest in science, technology, engineering, mathematics as well as making science learning fun. PETROSAINS is an extension of PETRONAS Malaysia's commitment to nation-building by driving the creation of a new generation of science-minded, innovation-inspired Malaysians.
- Yayasan PETRONAS, launched in March 2019, is PETRONAS' corporate foundation, which streamlines all its corporate social responsibilities efforts towards creating lasting tangible impact for the community. By conducting activities and directing its investments in education, Yayasan PETRONAS creates opportunities for underprivileged students to realize their potential through education in the fields of science, technology, engineering and mathematics.

ASSET OPTIMIZATION

In implementing its strategy, PETRONAS also seeks to continuously optimize its asset portfolio. These assets include those that PETRONAS holds directly, its interests in subsidiaries (including six companies listed on Bursa Malaysia, out of which four are direct subsidiaries and two are indirect subsidiaries) and those subsidiaries' assets, and its interests in joint ventures and affiliates. Examples of PETRONAS' asset optimization in recent years include, in its upstream segment, its acquisitions of substantial production assets in Brazil and Oman and exploration blocks in countries including Canada, Mexico and Brazil. Over this same period, PETRONAS relinquished other assets in its international upstream portfolio that were no longer supportive of its strategy. In its downstream business, in recent years PETRONAS has made substantial investments to build PIC, which will include very substantial new assets in PETRONAS' refining and chemicals businesses; and in 2019 it acquired Da Vinci Group, B.V., a producer of specialty chemicals. In its gas and new energy segment, in 2019 PETRONAS acquired new energy assets including AESPL Singapore, a

solar power company with over 600MW under operation and development. As part of its asset optimization, in 2019 and 2020 PETRONAS disposed of some of its interests in four of its Bursa Malaysia-listed subsidiaries, PDB, MISC, PGB and KLCCP Stapled Group, providing it with cash that it could use to pursue other parts of its strategy. PETRONAS intends to maintain control of its subsidiaries and other assets related to its core oil and gas business.

INSURANCE

PETRONAS has comprehensive insurance policies issued in countries where it has a business presence. These policies cover its business and properties and litigation brought by third parties. PETRONAS performs insurance risk assessment to analyze the risks faced by its businesses in determining the appropriate insurance policies and the adequacy of the insurance coverage. PETRONAS' insurance coverage includes property damage, third party liability and group term life assurance. PETRONAS considers its insurance coverage to be in accordance with industry standards.

HEALTH, SAFETY, SECURITY AND ENVIRONMENTAL MATTERS

PETRONAS is committed to the health and safety of all stakeholders, with the goal of ensuring its employees and contractors are fit in performing their responsibilities. As an organization, PETRONAS has implemented occupational health and wellness strategies and activities designed to ensure overall wellness and regulatory compliance. PETRONAS takes an uncompromising approach to safety and is committed to building a safe and healthy working environment supported by stringent safety standards.

PETRONAS has a clear policy to comply with laws and regulations relating to workers' HSSE matters in each of the jurisdictions in which it operates. PETRONAS has established and maintains an environment of self-regulation, and in 2019 it launched an integrated assurance management initiative to improve its compliance with relevant laws and regulations. Using an intelligent digital system, PETRONAS takes a holistic approach to its business risks and control-performance, enabling it to effectively manage its business.

As the global economy's energy sector undergoes rapid transition, PETRONAS' sustainability focus on balancing of economic, environmental, social and governance ("EESG") factors has become stronger. Guided by its Statement of Purpose, which is to be "**a progressive energy and solutions partner enriching lives for a sustainable future**," PETRONAS has leveraged its EESG practices to tackle many emerging risks and capitalize on opportunities it encounters.

Consistent with the aspirations of the Paris Agreement and the United Nations' Sustainable Development Goals ("SDGs"), which were adopted by all the UN member states in 2015, PETRONAS has prioritized seven of the 17 SDGs to generate impactful long-term value:

- **SDG 3:** Good Health and Well-being;
- **SDG 4:** Quality Education;
- **SDG 7:** Affordable and Clean Energy;
- **SDG 8:** Decent Work and Economic Growth;
- **SDG 9:** Industry, Innovation and Infrastructure;

- **SDG 12:** Responsible Consumption and Production; and
- **SDG 13:** Climate Action.

As part of its commitment to the SDGs, PETRONAS' sustainability agenda focuses on sustainable development built on the foundation of EESG, which is reflected through four sustainability lenses.

Lens 1: Continued Value Creation

PETRONAS generates long-term and sustainable value by adopting a transformative three-pronged growth strategy of “Maximizing Cash Generators,” “Expanding Core Business” and “Stepping Out.” A strong HSSE culture and good governance are integral to this strategy.

PETRONAS' strategy to maximize its cash generators over the medium term includes undertaking responsible investments that generate values such as return on capital, efficient cost management, operational excellence, technological innovation through research and development, reinvestments into new business ventures, and alternative energy systems. With capital expenditure allocated to unlocking the value of its international assets, PETRONAS expects to see growth in its overseas upstream activities.

While forging ahead with its growth strategy, PETRONAS remains focused on ongoing transformation initiatives that continue to drive down costs and improve productivity. All of these contribute positively to society while sustaining value for PETRONAS' shareholders.

PETRONAS' efforts in continued value creation support SDG 7: Affordable and Clean Energy; SDG 8: Decent Work and Economic Growth and SDG 9: Industry, Innovation and Infrastructure.

Lens 2: Safeguarding the Environment

In responding to the emerging global challenge of supplying affordable, reliable and sustainable energy sources to support a low-carbon economy, PETRONAS focuses on reducing emissions from its operations, and it is committed to allocating its capital expenditures to renewable energy. Concurrently, PETRONAS also harnesses other potential opportunities in safeguarding the environment, such as self-regulation, to drive compliance.

To effectively safeguard the environment, PETRONAS will be adopting a “Life Cycle Thinking” approach to appraise its environmental footprint across the value chain, identifying opportunities to create products and solutions towards more sustainable production and consumption.

Net Zero Carbon Emissions Aspiration

In October 2020, PETRONAS announced its landmark sustainability aspiration to achieve net zero carbon emissions by 2050, with net zero carbon emissions defined as balancing the direct (“**Scope 1**”) and indirect (“**Scope 2**”) GHG emissions from PETRONAS' oil and gas assets under its operational control with carbon offsets. This aspiration will stretch PETRONAS' efforts to reduce carbon emissions to net zero and create new and inclusive opportunities to contribute to the communities where it operates. For purposes of its measures, PETRONAS counts Scope 1 emissions as direct GHG emissions from sources owned or controlled by PETRONAS, and Scope 2 emissions as indirect GHG emissions resulting from purchased electricity and steam and/or chilled water consumed by PETRONAS.

As part of its commitment to achieving net zero carbon emissions by 2050, PETRONAS will:

- Reduce direct and indirect emissions by reducing hydrocarbon flaring and venting, capturing methane emissions, optimizing production, and increasing energy efficiency.
- Optimize the use of energy in operations by deploying renewable and electrification technologies.
- Minimize waste and promote recycling throughout the value chain.
- Progressively shift towards low-carbon energy by increasing the share of natural gas and renewable energy as part of Malaysia's national energy mix.
- Conduct research and development in carbon capture, utilization and sequestration with potential incorporation in high CO₂ field development in its upstream segment.
- Explore opportunities to use natural forest-based carbon sinks to sequester CO₂ from the atmosphere, protect ecosystems and reverse biodiversity loss.

In line with the global energy transition, PETRONAS' aspiration of net zero carbon emissions by 2050 heralds a new chapter as it continues its sustainability journey in shaping a future that both the current and future generations can look forward to, while meeting stakeholders' expectations.

PETRONAS' climate change efforts primarily support the SDG 7: Affordable and Clean Energy and SDG 13: Climate Action.

Low-carbon energy solutions

PETRONAS' actions to address the issue of climate change with low-carbon energy solutions are focused on promoting natural gas as a cleaner fossil fuel, improving its energy efficiency, reducing continuous hydrocarbon flaring and venting, stepping up investment on renewables and exploring carbon offset initiatives through nature-based solutions.

In promoting natural gas as a cleaner new energy solution, PETRONAS continues to expand its LNG portfolio and utilizes cutting-edge technologies to ensure sustainable extraction and processing of LNG. PETRONAS' research and development of carbon capture, utilization and storage technologies currently focuses on monetization of high CO₂ gas fields, including exploration of options to convert contaminants into valuable products. PETRONAS' gas technology has developed innovative and sustainable solutions to handle offshore sour gas, specifically in CO₂ removal. PETRONAS works together with its stakeholders to advocate the use of LNG as an alternative to other fossil fuels with higher emissions.

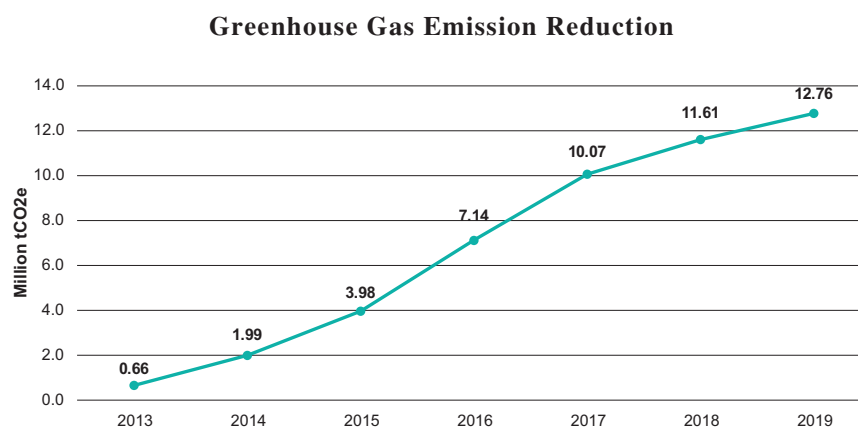
In 2019, PETRONAS pledged to cap its GHG emissions at 49.5 million tons of carbon dioxide equivalent ("tCO_{2e}") by 2024 for oil and gas assets in Malaysia under its operational control. Moving forward, PETRONAS plans to establish additional hydrocarbon flaring and venting reduction projects in accordance with its GHG emissions reduction roadmap. Past performance for GHG emissions in its Malaysian operations have shown a declining trend since 2017 from 50.1 million tCO_{2e} to 46.2 million tCO_{2e} in 2019, demonstrating the effectiveness of PETRONAS' efforts to reduce GHG emissions. PETRONAS believes that it will be able to meet this pledge and maintain its

GHG emissions cap, with the aid of technologies such as carbon capture, utilization and storage. The following table sets forth PETRONAS' GHG emission from 2015 to the first half of 2020:

Key Performance Indicators	2015	2016	2017	2018	2019	H1 2020
Total Greenhouse Gas Emissions (millions tCO ₂ e)	46.1	47.2	52.4	47.4	47.9	23.6
Malaysia Operation	42.9	44.7	50.1	45.9	46.2	22.8
International Operation	3.2	2.5	2.3	1.5	1.7	0.8

Note: Under its GHG emissions cap pledge, PETRONAS' future GHG emissions reporting will include GHG emissions from new growth projects such as certain high CO₂ fields that PETRONAS expects to develop in the next few years.

Guided by PETRONAS' carbon commitments, PETRONAS has improved energy efficiency in its downstream and gas and new energy segment facilities and has reduced continuous flaring and venting, particularly in its upstream segment, through improvements in gas compressor availability and reliability, and enhancing plant processes to reduce low-pressure flare gas. From 2013 through 2019, through its implementation of GHG emission abatement projects, PETRONAS reduced its aggregate GHG emissions by 12.8 million tCO₂e. PETRONAS calculates its emission reductions by reference to ISO 14064, an international standard that provides organizations with tools to quantify, monitor, report and verify GHG emission, as the difference between its emissions before an abatement project and emissions after the implementation of the abatement project. PETRONAS' emission reduction projects cover various aspects of its operations, including achieving operational excellence (such as reductions of flaring and venting through operations optimization), low carbon and energy solutions (such as increasing the supply of renewable energy), and technology and innovation (such as carbon capture, utilization and storage). The following graph sets forth PETRONAS' aggregate GHG emissions reductions as a result of its abatement projects from 2013 to 2019:



PETRONAS is developing carbon capture, utilization and storage technologies to reduce its GHG emissions over the medium to long term. To date, PETRONAS has deployed its own membrane-based CO₂-separating technologies in some of its operational assets. PETRONAS expects to deploy its first carbon capture and storage technology in an offshore high CO₂ fields development by 2025.

Renewable Energy

PETRONAS has increased its focus on providing cleaner energy solutions through the establishment of its new gas and new energy segment in 2019, advocating the use of gas and

renewables in transitioning towards a low carbon economy. PETRONAS has committed to allocate 9% of its capital expenditure to renewable energy, with a focus on solar and wind energy, for five years starting from 2021.

In 2019, PETRONAS acquired a 100% interest in Amplus, a company specializing in solutions for rooftop and ground-mounted solar power generation, as its first platform for solar power generation growth in India, the Middle East and Asia, which has increased through organic and inorganic growth to a cumulative installed capacity of over 800MW under operation, serving more than 150 commercial and industrial customers in more than 200 locations across India, the Middle East and Southeast Asia. This acquisition marked PETRONAS' international entry into renewable energy and its strategic intent to grow in the renewable energy space as part of its strategy to "step out" beyond fossil fuels and meeting its Net Zero Carbon Emissions Aspiration by 2050.

PETRONAS continues to produce solar energy from its existing solar PV projects in Malaysia and abroad. In Malaysia, PETRONAS sells electricity generated from these projects to the national grid. In 2017 and 2018, PETRONAS generated approximately 13,627 MWh and 14,040 MWh of electricity through its solar generation projects, thereby resulting in GHG emission reductions of 9,260.4 metric tons and 9,544.4 metric tons of CO₂ equivalent, respectively. In 2019, PETRONAS set a short-term target of 3 GW of installed renewables energy capacity by 2024. As at December 31 2020, through various initiatives domestically and internationally, it installed 663 MW of renewable energy capacity within its portfolio.

In July 2020, PETRONAS secured its first commercial customer for rooftop solar, Tesco Stores (Malaysia) Sdn Bhd (Tesco). NE Suria Satu Sdn. Bhd., a joint venture between PETRONAS and NEFIN Group, a regionally renowned bespoke solar developer, to provide a solar rooftop solution covering the design, installation, operation and maintenance of solar PV panels for 15 sites in Malaysia. A 20-year power purchase agreement between NE Suria Satu Sdn. Bhd. and Tesco, of which the first phase of the project will collectively generate 18GWh of clean energy per year, is the largest commercial solar power purchase agreement of its kind in Malaysia. The construction for the project has been completed for 13 sites, and 8.6MW of solar PV system capacity has been energized and commissioned from October 19, 2020.

PETRONAS' renewable energy efforts support SDG 7: Affordable and Clean Energy; SDG 9: Industry, Innovation and Infrastructure and SDG 13: Climate Action.

Environmental Management

PETRONAS continuously works towards strengthening operational excellence to reduce its environmental impact and safely manage its operations. PETRONAS prioritizes ensuring compliance with applicable environmental regulations in a sustainable manner. PETRONAS' internal standards are benchmarked against external standards and guidelines such as the World Bank's International Finance Corporation and local laws and regulations. In Malaysia, PETRONAS has been privileged to share technical expertise with the relevant government agencies in the formulation and review of standards and guidelines pertaining to the environment.

PETRONAS is committed to ensuring that all of its wastewaters are properly treated before being discharged. To ensure this, PETRONAS' wastewater treatment plants are designed to consistently meet regulatory standards.

PETRONAS' waste management is guided by its policies and frameworks to ensure minimum waste disposal from its business operations. Business and operating units are required to establish

and maintain a hazardous waste minimization plan with clear targets and ensure their effective implementation. The impacts of waste, both negative and positive, are identified and managed as part of risk management and practices verified with regular assurances. PETRONAS continues to find ways to create value from its waste, such as waste-to-energy conversion.

PETRONAS adopts preventive maintenance and routine inspection programs to prevent spills at their source and to maintain the reliability of its facilities. In 2020, PETRONAS recorded five hydrocarbon spills to the environment over one barrel (i.e. one barrel is equivalent to 159 liters). PETRONAS' spill incidents due to land transportation accidents have reduced significantly in recent years. PETRONAS' road safety campaigns, provision of defensive driving training, structured processes for drivers, work and rest hours monitoring and management and its enhanced journey management plan have contributed to this reduction.

Water Management

Water is essential to PETRONAS' operations, where it is used in production processes, for cooling purposes, or, most importantly, to generate steam to drive steam turbines. The efficient use of water is built into the design of PETRONAS' plants, based on the 3R concept of reduce, reuse and recycle.

PETRONAS takes proactive measures to ensure water optimization and minimize wastage. Standards and guidelines have been established to set minimum requirements, the optimum operating conditions and maintenance practices to ensure reliable performance of water systems. Water balance verification are conducted to ensure accurate reporting and identify further water optimization opportunities.

Biodiversity and Ecosystem

Biodiversity and ecosystem services ("BES") are the benefits that ecosystems contribute towards human well-being. Disruptions in areas in which PETRONAS operates could affect the quality and availability of BES to the local communities, as well as to PETRONAS' operations.

PETRONAS is committed to promoting biodiversity conservation to minimize and prevent disruptions to ensure its projects and operations have minimal or zero impact on BES by:

- identifying and addressing potential biodiversity impacts through biodiversity and ecosystem services risk assessment, which is an internally developed mechanism to assess and mitigate BES risk from and to PETRONAS' operations;
- applying industry best practices and guidelines to avoid, minimize and mitigate impacts on BES;
- identifying opportunities for biodiversity protection, conservation and maintenance of ecosystems essential for present and future generation; and
- communicating PETRONAS' commitment to BES through training as well as internal/external presentations.

Product Stewardship

PETRONAS' sustainability programs are based on the concept of "Life Cycle Thinking"—a concept that looks at environmental impacts across the value chain of a product. Using life cycle

assessment as one of its tools, PETRONAS aims to enhance sustainable product design, improve brand value and meet customer requests for its products. Using the results of these assessments, PETRONAS can strive to improve sustainability performance on human health, natural resources and ecosystems.

PETRONAS also plans to integrate circular economic business models with the principles of “designing out” waste and pollution, such as circular polymers, waste-to-energy technologies, and the use of biomaterials as feedstock.

PETRONAS aims to manage its product safety beyond regulatory compliance by incorporating product risk management measures across the product’s life cycle. These measures include the embedment of product stewardship assessments from the R&D stage. This approach not only ensures that new products are designed from the start to be compliant with all applicable regulations but also promotes the development of more sustainable products. PETRONAS strives for transparency in its communications about risks and providing consumers and the general public with information on its products and chemicals.

Through these initiatives, PETRONAS believes it can better manage compliance and support health, safety and environmental impacts. All of these efforts support SDG 3: Good Health and Wellbeing, SDG 7: Affordable and Clean Energy, SDG 9: Industry, Innovation and Infrastructure; SDG 12: Responsible Consumption and Production and SDG 13: Climate Action.

Lens 3: Positive Social Impact

PETRONAS aims to create a positive social impact on employees, contractors and communities where it operates through respect for human rights and support for social sustainability efforts. In this regard, PETRONAS is focused on health and safety, human capital development, human rights and corporate social responsibility.

PETRONAS is committed to the safety and health of its employees and stakeholders everywhere it operates.

PETRONAS has focused on building a generative HSSE culture—one that is built on ownership, mindfulness, and intervention, and where everyone contributes towards the right conduct for “zero tolerance” on non-compliance—through training and other outreach.

PETRONAS’ process safety efforts revolve around early prevention and mitigation of major process safety events, including loss of primary containment (“LOPC”), fire and injury. In 2020, PETRONAS clocked in 273 million-man hours and recorded seven Tier 1 Process Safety Events (which are LOPCs that result in certain consequences, in accordance with the Recommended Practice 754 published by the American Petroleum Institute). PETRONAS’ group-level HSSE team continuously rolls out rigorous initiatives on safety compliance and improving HSSE competencies, to achieve sustainable HSSE performance.

PETRONAS’ workforce focus is on ensuring a healthy and safe working environment while at the same time providing ample opportunities for human capital development. PETRONAS has invested in protecting workers from the impacts of workplace health and safety risks, focusing on lessons learnt, data systems & analytics, capability development, and human performance improvement. These efforts include, for example, creative health promotion programs to sustainably instill healthy habits with a sustainable impact.

PETRONAS has taken a proactive approach in protecting the safety and health of its workforce since the onset of the COVID-19 pandemic in early 2020. This was achieved through coordinated actions of taskforces at enterprise and business levels to curb workplace transmission, while ensuring the continuity of operations. Timely oversight and deliberation facilitated proactive decisions to safeguard and support the health of its workforce. These efforts were supported by continuous awareness and issuance of COVID-19 directives, including active collaboration with relevant government agencies.

PETRONAS has also supported COVID-19 humanitarian efforts for the communities in other areas of operations. In October 2020, Arexons SpA, a division under PETRONAS Lubricants Italy SpA, was recognized in the 2020 European Responsible Care Awards for its global responses to fight the COVID-19 pandemic. The European Responsible Care Awards recognized Arexons SpA's efforts converting to production plants to facilitate donations of Hygiene detergent, including a rapid switch in production lines to manufacture a new detergent product helping hospitals fight the virus. These efforts ultimately supported the Italian communities in alleviating the impact of COVID-19.

PETRONAS operates its business based on a strong foundation of merit and equality, irrespective of gender, age, nationality, ethnicity, educational background or religion. Backed by a high-performance culture, diversity brings together different strengths and experiences that encourage and motivate talents to deliver. Within PETRONAS, women represent approximately 28% of the total workforce and approximately 80% of PETRONAS' workforce is Malaysian, with the remaining 20% being international. To date, PETRONAS has employees of over 100 different nationalities, who stand united under the same purpose and intent of delivering superior business results.

Managing human rights risks related to its business activities is a key part of PETRONAS' efforts to create a positive social impact where it operates. In 2015, PETRONAS established its Human Rights Commitment (posted on PETRONAS' website) to guide its operations, respecting the rights of local communities, contracted partners in the supply chain, employees and all other stakeholders that it may interact with across its operations.

PETRONAS' standards and guidelines for human rights due diligence and grievance mechanism were developed in line with the United Nations Guiding Principles on Business and Human Rights, focusing on four areas: labor and working conditions, responsible security, supply chain management and community well-being. In 2017, PETRONAS launched its Contractors Code of Conduct on Human Rights (posted on PETRONAS' website) to ensure compliance throughout its supply chain.

In 2020, PETRONAS published its inaugural Human Rights Report (posted on PETRONAS' website), which details the company's approach to managing human rights in accordance with the UN Guiding Principles on Business and Human Rights ("UNGP"), salient human rights issues, and performance in key thematic areas.

PETRONAS complements its respect for human rights by empowering various stakeholders through its social investments. Giving back to society has been a part of the PETRONAS culture since its inception, with a strong history and track record in uplifting the lives of people through education, community well-being and development. As part of its continuous effort to create a positive social impact, PETRONAS launched the PETRONAS Foundation (Yayasan PETRONAS) in 2019, reinforcing its commitments towards sustainable development and philanthropic efforts.

As a testament to its commitment, in 2019, PETRONAS has announced its short-term target to sponsor over 24,000 beneficiaries through various education programs cumulatively between 2020 to 2024.

Collectively, these efforts to positively impact people both within PETRONAS and in the broader society support PETRONAS' commitment to SDG 3: Good Health and Well-being; SDG 4: Quality Education, and SDG 8: Decent Work and Economic Growth.

Lens 4: Responsible Governance

Corporate governance is vital to PETRONAS' value creation and business excellence. PETRONAS' approach to a sustainable business is based on responsible corporate governance practices that deliver and sustain shareholder value.

PETRONAS continues to uphold the highest standards of corporate governance while maintaining accountability and transparency in all its business dealings. PETRONAS is committed to fostering a culture of integrity, ethical behavior and professionalism that underpins its ability to remain a resilient organization. PETRONAS' policies are aligned to applicable laws and regulations of countries where it operates, in view of stakeholders' expectations on good corporate citizenship.

In safeguarding PETRONAS' integrity and trustworthiness to deliver value, its governance policies and practices are designed to ensure that its business is conducted in a fair, honest, and transparent manner that conforms to the highest ethical standards and best industry practices. This is implemented through its Code of Conduct and Business Ethics (posted on PETRONAS' website) and business ethics and various compliance programs. PETRONAS has a zero-tolerance policy with regard to all forms of bribery and corruption. It launched its Anti-Bribery and Corruption Manual (posted on PETRONAS' website) to govern matters such as engagement with public officials, prevention of facilitation payments, engagement with third parties, as well as gifts, entertainment and corporate hospitality. The Anti-Bribery and Corruption Manual demonstrates PETRONAS' commitment to implementing international practices to combat corruption and its commitment towards zero tolerance for bribery and corruption.

Through strong governance mechanisms and ethical business practices, PETRONAS upholds the organization's integrity and trustworthiness in delivering value. PETRONAS places great emphasis on board oversight and a supporting management structure, as well as a system of internal controls to govern business ethics, policies, framework, management system, processes and procedures, compliance and reporting, to ensure that it is operating in a responsible manner at all times.

The PETRONAS Risk Committee reviews risk policies, strategies, principal risks, risk practices and oversees the adequacy of the risk management system to effectively monitor and manage risks.

The PETRONAS Sustainable Development and Health, Safety, Security and Environment Council is responsible for steering PETRONAS' sustainability efforts. Senior management members across PETRONAS' integrated business value chain update and make recommendations to the PETRONAS HSSE leadership team on sustainability actions towards delivering SDGs.

The PETRONAS Board and the Executive Leadership Team collectively ensure that the organization delivers upon its obligations in a responsible manner, ensuring all aspects of its business decision-making adhere to strict ethical standards.

Responsible governance is the core to achieving PETRONAS' sustainability objectives and forms the basic tenet of a good, principled organization.

HUMAN RESOURCES

As at December 31, 2020, PETRONAS and its subsidiaries employed a total of 48,679 employees, compared to 48,001 people and 47,669 people as at December 31, 2018 and 2019, respectively. A total of 8,476 of PETRONAS' non-executive employees belong to five of its in-house unions in Malaysia as at December 31, 2020, four of which signed collective bargaining agreements directly with PETRONAS and the remaining one with the relevant subsidiary. PETRONAS' collective bargaining agreements typically have a term of three years. In general, Management believes it has a good relationship with its employees and with its in-house unions.

PETRONAS and its employees contribute to the Employee Provident Fund, a mandatory employee retirement fund administered by a board appointed by the Government of Malaysia. Contributions to the fund are based on a prescribed percentage of the employee's monthly salary, where the employee and PETRONAS contribute 11% and 12%, respectively. PETRONAS also provides additional contributions of 3%, 5% and 7% above the 12% statutory contribution. The amount of these additional contributions is relative to the employee's length of service with PETRONAS.

LEGAL PROCEEDINGS

In the ordinary course of their businesses, PETRONAS and its subsidiaries are parties to legal proceedings and potential disputes with, among others, their customers, suppliers and contractual counterparties. At the date of this Offering Circular, PETRONAS is not aware of any pending or threatened litigation, arbitration or administrative proceedings against it or its subsidiaries that could have a material adverse effect on PETRONAS' business, results of operations or financial condition.

PETRONAS CAPITAL LIMITED

PETRONAS Capital Limited is a wholly-owned subsidiary of PETRONAS and was incorporated in Labuan, Malaysia under the Labuan Companies Act, 1990 on April 17, 2002. At the date of this Offering Circular, PETRONAS Capital Limited has an issued and paid-up share capital of U.S.\$2,000 comprising 2,000 ordinary shares of US\$1.00 each.

PETRONAS Capital Limited is a financing vehicle for PETRONAS. It has no other operations nor any subsidiaries. PETRONAS Capital Limited will provide substantially all proceeds of its borrowings to PETRONAS or its subsidiaries and associated companies. See “*Use of Proceeds.*”

The directors of PETRONAS Capital Limited at the date of this Offering Circular are:

Name Appointed	Position	Year
Nuraini Ismail	Director	2010
Hazleena Hamzah	Director	2020
Wan Shamilah Wan Muhammad Saidi	Director	2021

The registered office of PETRONAS Capital Limited is Unit Level 13(A), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Labuan Federal Territory of Malaysia. The correspondence address of each of the directors of PETRONAS Capital Limited for the purposes of their directorship in PETRONAS Capital Limited is Tower 1, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia.

The main outside functions of the directors of PETRONAS Capital Limited are serving as employees of PETRONAS.

Capitalization

The following table sets forth the capitalization of PETRONAS Capital Limited as at December 31, 2020.

	Actual
Non-current borrowings: ⁽¹⁾	
7.875% Guaranteed Notes due 2022	U.S.\$1,000,000,000
3.125% Guaranteed Notes due 2022	U.S.\$750,000,000
3.500% Guaranteed Notes due 2025	U.S.\$1,500,000,000
3.500% Guaranteed Notes due 2030	U.S.\$2,250,000,000
4.500% Guaranteed Notes due 2045	U.S.\$1,500,000,000
4.550% Guaranteed Notes due 2050	U.S.\$2,750,000,000
4.800% Guaranteed Notes due 2060	U.S.\$1,000,000,000
Total non-current borrowings	<u>U.S.\$10,750,000,000</u>
Shareholders' equity:	
Share capital (Issued and paid-up—2,000 ordinary shares)	U.S.\$2,000
Total Capitalization ⁽²⁾	<u><u>U.S.\$10,750,002,000</u></u>

(1) Principal amount of debt issued by PETRONAS Capital Limited and guaranteed by PETRONAS.

(2) Capitalization is the sum of total non-current borrowings and shareholder's equity.

PETRONAS ENERGY CANADA LTD.

PETRONAS Energy Canada Ltd. is a wholly-owned subsidiary of PETRONAS and is incorporated in Alberta, Canada. PETRONAS entered Canada as part of a joint venture with Progress Energy in 2010, and Progress Energy became a subsidiary of PETRONAS in 2012. In November 2018, Progress Energy changed its name to PETRONAS Energy Canada Ltd. In February 2021, PETRONAS subscribed to 10,857,220 ordinary shares at C\$1.00 per share. At the date of this Offering Circular, PETRONAS Energy Canada Ltd. has an issued and paid-up share capital of C\$10,941,293,995 comprising 10,941,293,995 ordinary shares.

PETRONAS Energy Canada Ltd. is a subsidiary of PETRONAS focused on the development and production of oil and natural gas in Canada.

The directors of PETRONAS Energy Canada Ltd. at the date of this Offering Circular are:

Name Appointed	Position	Year
Adif Zulkifli	Director	2020
Donald F. Archibald	Director	2013
Judy Fairburn	Director	2020
Mark Fitzgerald	Director	2016
Zakaria Kasah	Director	2019
Chris Seasons	Director	2017
Mohd Jukris Abdul Wahab	Director	2019
Norliwati Abdul Wahab	Director	2020

As at the date of this Offering Circular, the members of the management team of PETRONAS Energy Canada Ltd. consist of Mark Fitzgerald (President and Chief Executive Officer), Kevin Georget (Chief Transformation Officer), Izwan Ismail (Chief Financial Officer), James Cummings (Vice President, Legal and General Counsel), Joanne Klein (Vice President, Corporate Services), Joe Leonard (Vice President, Production) and Azmir Zamri (Vice President, Strategy & Corporate Development).

The registered office of PETRONAS Energy Canada Ltd. is Suite 1600, 215 Second Street SW, Calgary, Alberta, T2P 1M4, Canada.

Capitalization

The following table sets forth the capitalization of PETRONAS Energy Canada Ltd. as at December 31, 2020.

	Actual (C\$)	Actual (US\$) ⁽¹⁾
Non-current borrowings:		
Shareholder loan due to PETRONAS Carigali Canada BV ⁽²⁾	2,595,989,066	2,036,709,208
Total non-current borrowings	2,595,989,066	2,036,709,208
Shareholders' equity:		
Share capital (Issued and paid-up—10,930,436,775 ordinary shares)	10,930,436,775	8,575,581,967
Total Capitalization ⁽³⁾⁽⁴⁾	<u>13,526,425,841</u>	<u>10,612,291,175</u>

(1) U.S. dollar translations are calculated using an exchange rate of C\$1.2746 to U.S.\$1.00.

(2) Consists of shareholder loan principal and related interest payable.

(3) Except as disclosed herein, there have been no material changes in the consolidated capitalization of PETRONAS Energy Canada Ltd. since December 31, 2020.

(4) Capitalization is the sum of total non-current borrowings and shareholder's equity.

MANAGEMENT

Directors

The Articles of Association of PETRONAS provide that the Board of Directors shall consist of not less than two and not more than fifteen directors. The Board of Directors currently consists of eight individuals. One-third of the non-executive members of the Board are subject to annual retirement by rotation, although they may be reappointed.

The directors and company secretaries of PETRONAS as of February 25, 2021 are as follows:

Name	Current Position /Designation	Director/Company Secretary Since
Tan Sri Ahmad Nizam Salleh	Non-Independent Non-Executive Chairman/Director	August 1, 2018
Tengku Muhammad Taufik Tengku Kamadjaja Aziz	Executive Director, President & Group Chief Executive Officer	October 15, 2018
Ainul Azhar Ainul Jamal ⁽¹⁾⁽³⁾	Independent Non-Executive Director	May 15, 2018
Tan Sri Dato' Seri Mohd Bakke Salleh ⁽¹⁾⁽²⁾	Independent Non-Executive Director	June 18, 2019
Dato' Razali Mohd Yusof ⁽³⁾	Independent Non-Executive Director	August 17, 2020
Zakiah Jaafar ⁽¹⁾⁽²⁾	Non-Independent Non-Executive Director	October 15, 2018
Tan Sri Zaharah Ibrahim ⁽¹⁾⁽³⁾	Independent Non-Executive Director	August 17, 2020
Dato Haji Ibrahim Haji Baki ⁽²⁾	Independent Non-Executive Director	August 17, 2020
Maliki Kamal Mohd Yasin	Company Secretary	June 1, 2020
Intan Shafinas (Tuty) Hussain	Company Secretary	June 1, 2018

(1) Member of the Audit Committee described below.

(2) Member of the Risk Committee described below.

(3) Member of the Nomination and Remuneration Committee described below.

Board Committees

There are three Board Committees made up primarily of Non-Executive Directors, namely the Audit Committee, the Risk Committee and the Nomination and Remuneration Committee.

Audit Committee. The Audit Committee assists the Board in fulfilling its oversight functions in relation to internal controls and financial reporting of PETRONAS. The committee provides the Board with the assurance of the quality and reliability of financial information issued by PETRONAS while ensuring the integrity of its assets. This committee also considers matters in relation to external auditors including appointment, fees and scope of audits; it also reviews PETRONAS' internal audit report, annual audit plan and assesses the adequacy of the scope, functions and resources and performance of PETRONAS' internal audit function.

Risk Committee. The Risk Committee provides oversight and in-depth discussion on risk management matters at the Board level. The committee fulfills its responsibilities by reviewing the

policies, strategies, on-key risk indicators and risk tolerance levels and oversees the adequacy and effectiveness of the risk management systems in managing and mitigating risks within PETRONAS. It is also responsible for reviewing and recommending to the Board the appropriate corporate governance policies, framework and procedures in accordance with international governance standards and best practices.

Nomination and Remuneration Committee. The Nomination and Remuneration Committee assists the Board in discharging its responsibilities by defining and assessing the Board composition and performance, identifying and recommending qualified new Directors to the Board and recommending top management's appointment and/or renewal. The committee also oversees the development of the succession management plan for the Board and top management and recommends the remuneration for Non-Executive Directors and performance-related pay schemes for top management.

Executive Leadership Team

The members of PETRONAS' Executive leadership team as of February 25, 2021 are as follows:

Name	Current Position / Designation	Date Joined PETRONAS
Tengku Muhammad Taufik Tengku Kamadjaja Aziz	President & Group Chief Executive Officer	October 15, 2018
Adif Zulkifli	Executive Vice President & CEO Upstream	May 13, 1993
Datuk Md Arif Mahmood	Executive Vice President & CEO Downstream	October 1, 1984
Adnan Zainol Abidin	Executive Vice President & CEO Gas and New Energy	October 1, 1984
Liza Mustapha	Senior Vice President & Group Chief Financial Officer	September 16, 1995
Mazuin Ismail	Senior Vice President Corporate Strategy	September 2, 1991
Maliki Kamal Mohd Yasin	Senior Vice President Group Legal & Group General Counsel	June 16, 1990
Samsudin Miskon	Senior Vice President Project Delivery & Technology	November 16, 1983
Farehana Hanapiah	Vice President Group Human Resource Management	December 17, 1990
Nur Ashikin Khalid	Secretary to the Executive Leadership Team	November 16, 1996

In 2020, PETRONAS was awarded the Excellence in Corporate Governance – Energy – Southeast Asia by Global Business Outlook.

SHARE OWNERSHIP

The shareholders of PETRONAS at the date of this Offering Circular are as follows:

Shareholder	Percent of Ownership
Minister of Finance (Incorporated)	99.99
The Federal Lands Commissioner (Incorporated)	0.01

RELATIONSHIP WITH THE GOVERNMENT OF MALAYSIA

PETRONAS was established by the Government of Malaysia pursuant to the Malaysia Petroleum Development Act, 1974 to own and manage the petroleum resources of Malaysia and was incorporated under the Malaysia Companies Act, 1965 (as repealed and replaced by the Malaysian Companies Act, 2016) on August 17, 1974. Under the Petroleum Development Act of 1974, PETRONAS is subject to the control and direction of the Prime Minister of Malaysia, who may from time to time issue such direction as he may deem fit. PETRONAS' Articles of Association provide that the Government of Malaysia is the only entity entitled to be a shareholder of PETRONAS.

Under the Malaysian Companies Act 2016, as owner of PETRONAS, the Government of Malaysia controls the approval of all corporate matters that require shareholder resolutions, including, but not limited to, approval of dividends, the appointment of the Chairman of PETRONAS and any change of auditor. Currently, the Deputy Secretary General (Policy), Ministry of Finance, is the only official from the Government of Malaysia serving on PETRONAS' Board of Directors.

PETRONAS plays an important role in the implementation of the Government of Malaysia's oil and gas policy. In addition to its relationship with the Government of Malaysia as its shareholder, PETRONAS consults informally with the Government of Malaysia on matters relating to energy policy and central planning. Since its incorporation, PETRONAS has played an integral role in helping Malaysia achieve the objectives set forth in each of the Government of Malaysia's economic plans.

Absent a contractual obligation, the Government of Malaysia is not liable for PETRONAS' obligations.

TAXATION

Certain U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax considerations that may be relevant to a holder of a Note that is a citizen or resident of the United States or a domestic corporation or that otherwise is subject to U.S. federal income taxation on a net income basis in respect of the Note (a “**United States holder**”). This summary is based on laws, regulations, rulings and decisions now in effect, all of which are subject to change. This summary deals only with United States holders that will hold Notes as capital assets, and does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks, tax-exempt entities, insurance companies, regulated investment companies, dealers in securities or currencies, traders in securities electing to mark to market, persons that will hold Notes as a position in a “straddle” or conversion transaction, or as part of a “synthetic security” or other integrated financial transaction, entities taxed as partnerships or the partners therein, U.S. expatriates, nonresident alien individuals present in the United States for more than 182 days in a taxable year, or persons that have a “functional currency” other than the U.S. dollar. Further, this summary does not address the alternative minimum tax, the Medicare tax on net investment income, the special timing rules prescribed under section 451(b) of the U.S. Internal Revenue Code, or other aspects of U.S. federal income or state and local taxation that may be relevant to a holder in light of such holder’s particular circumstances. Any special U.S. federal income tax considerations relevant to a particular issue of Notes, including any Floating Rate Notes, Dual Currency Notes, or Zero Coupon Notes will be provided in the applicable Pricing Supplement.

Investors should consult their own tax advisors in determining the tax consequences to them of holding Notes, including the application to their particular situation of the U.S. federal income tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Because Bearer Notes cannot be offered or sold in connection with their initial distribution to U.S. citizens or residents (or to other persons located in the United States), this summary does not discuss special tax considerations relevant to the ownership and disposal of Bearer Notes by U.S. holders.

Payments of Interest

Payments of “**qualified stated interest**” (as defined below under “—*Original Issue Discount*”) on a Note will be taxable to a United States holder as ordinary interest income at the time that such payments are accrued or are received (in accordance with the United States holder’s method of tax accounting). If such payments of interest are made with respect to a Note denominated in a single foreign currency (a “**Foreign Currency Note**”), the amount of interest income realized by a United States holder that uses the cash method of tax accounting will be the U.S. dollar value of the relevant foreign currency payment based on the exchange rate in effect on the date of receipt regardless of whether the payment in fact is converted into U.S. dollars. A United States holder that uses the accrual method of accounting for tax purposes will accrue interest income on the Note in the relevant foreign currency and translate the amount accrued into U.S. dollars based on the average exchange rate in effect during the interest accrual period (or portion thereof within the United States holder’s taxable year), or, at the accrual basis United States holder’s election, at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. A United States holder that makes such election must apply it consistently to all debt instruments from year to year

and cannot change the election without the consent of the Internal Revenue Service (the “IRS”). A United States holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss, as the case may be, on the receipt of an interest payment made with respect to a Foreign Currency Note if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. Amounts attributable to pre-issuance accrued interest (if any) will generally not be includable in income, except to the extent of foreign currency gain or loss attributable to any changes in exchange rates during the period between the date the United States holder acquired the Note and the first Interest Payment Date. This foreign currency gain or loss will be treated as ordinary income or loss but generally will not be treated as an adjustment to interest income received on the Note.

Purchase, Sale and Retirement of Notes

A United States holder’s tax basis in a Note generally will equal the cost of such Note to such holder, increased by any amounts includible in income by the holder as original issue discount and market discount and reduced by any amortized premium (each as described below) and any payments other than payments of qualified stated interest made on such Note. In the case of a Foreign Currency Note, the cost of such Note to a United States holder will be the U.S. dollar value of the foreign currency purchase price on the date of purchase. In the case of a Foreign Currency Note that is traded on an established securities market, a cash basis United States holder (and, if it so elects, an accrual basis United States holder) will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The amount of any subsequent adjustments to a United States holder’s tax basis in a Note in respect of original issue discount, market discount and premium denominated in a foreign currency will be determined in the manner described under “—Original Issue Discount” and “—Premium and Market Discount” below. The conversion of U.S. dollars to the relevant foreign currency and the immediate use of the foreign currency to purchase a Foreign Currency Note generally will not result in taxable gain or loss for a United States holder.

Upon the sale, exchange or retirement of a Note, a United States holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued qualified stated interest, which will be taxable as such) and the United States holder’s tax basis in such Note. If a United States holder receives a currency other than the U.S. dollar in respect of the sale, exchange or retirement of a Note, the amount realized will be the U.S. dollar value of the foreign currency received calculated at the exchange rate in effect on the date the instrument is disposed of or retired. In the case of a Foreign Currency Note that is traded on an established securities market, a cash basis United States holder, and if it so elects, an accrual basis United States holder will determine the U.S. dollar value of the amount realized by translating such amount at the spot rate on the settlement date of the sale. The election available to accrual basis United States holders in respect of the purchase and sale of Foreign Currency Notes traded on an established securities market, discussed above, must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Except as described below with respect to market discount, Short-Term Notes (as defined below) and foreign currency gain or loss, gain or loss recognized by a United States holder generally will be long-term capital gain or loss if the United States holder has held the Note for more than one year at the time of disposition. Long-term capital gains recognized by an individual holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. The deduction of capital losses is subject to limitations.

Gain or loss recognized by a United States holder on the sale, exchange or retirement of a Foreign Currency Note generally will be treated as ordinary income or loss to the extent that the gain

or loss is attributable to changes in exchange rates during the period in which the holder held such Note. This foreign currency gain or loss will not be treated as an adjustment to interest income received on the Notes.

Original Issue Discount

If an Issuer issues Notes at a discount from their stated redemption price at maturity, and the discount is equal to or more than the product of one-fourth of one percent (0.25%) of the stated redemption price at maturity of such Notes multiplied by the number of full years to their maturity (the “*de minimis* threshold”) the Notes will be “**Original Issue Discount Notes**.” The difference between the issue price and the stated redemption price at maturity of such Notes will be the “original issue discount.” The “issue price” of a Note will be the first price at which a substantial amount of the Notes is sold to the public (i.e., excluding sales of Notes to underwriters, placement agents, wholesalers, or similar persons). The “stated redemption price at maturity” will include all payments under the Notes other than payments of “qualified stated interest” (as determined below).

United States holders of Original Issue Discount Notes generally will be subject to the special tax accounting rules for obligations issued with original issue discount (“**OID**”) provided by the Internal Revenue Code of 1986, as amended, and certain regulations promulgated thereunder (the “**OID Regulations**”). United States holders of such Notes should be aware that, as described in greater detail below, they generally must include OID in ordinary gross income for U.S. federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income.

In general, each United States holder of an Original Issue Discount Note, whether such holder uses the cash or the accrual method of tax accounting, will be required to include in ordinary gross income the sum of the “daily portions” of OID on the Note for all days during the taxable year that the United States holder owns the Note. The daily portions of OID on an Original Issue Discount Note are determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. Accrual periods may be of any length and may vary in length over the term of an Original Issue Discount Note, provided that no accrual period is longer than one year and each scheduled payment of principal or interest occurs on either the final day or the first day of an accrual period. In the case of an initial holder, the amount of OID on an Original Issue Discount Note allocable to each accrual period is determined by (a) multiplying the “adjusted issue price” (as defined below) of the Original Issue Discount Note at the beginning of the accrual period by the yield to maturity of such Original Issue Discount Note (appropriately adjusted to reflect the length of the accrual period) and (b) subtracting from that product the amount (if any) of qualified stated interest (as defined below) allocable to that accrual period. The yield to maturity of a Note is the discount rate that causes the present value of all payments on the Note as of its original issue date to equal the issue price of such Note. The “adjusted issue price” of an Original Issue Discount Note at the beginning of any accrual period will generally be the sum of its issue price (generally including accrued interest, if any) and the amount of OID allocable to all prior accrual periods, reduced by the amount of all payments other than payments of qualified stated interest (if any) made with respect to such Note in all prior accrual periods. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually during the entire term of an Original Issue Discount Note at a single fixed rate of interest or, subject to certain conditions, based on one or more interest indices. In the case of an Original Issue Discount Note that is a Floating Rate Note, both the “yield to maturity” and “qualified stated interest” will generally be determined for these purposes as though the Original Issue Discount Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to the interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield that is reasonably expected for the Note. (Additional rules

may apply if interest on a Floating Rate Note is based on more than one interest index.) As a result of this “constant yield” method of including OID in income, the amounts includible in income by a United States holder in respect of an Original Issue Discount Note denominated in U.S. dollars generally are lesser in the early years and greater in the later years than the amounts that would be includible on a straight-line basis.

A United States holder generally may make an irrevocable election to include in its income its entire return on a Note (i.e., the excess of all remaining payments to be received on the Note, including payments of qualified stated interest, over the amount paid by such United States holder for such Note) under the constant-yield method described above. For Notes purchased at a premium or bearing market discount in the hands of the United States holder, the United States holder making such election will also be deemed to have made the election (discussed below in “—Premium and Market Discount”) to amortize premium or to accrue market discount in income currently on a constant-yield basis.

In the case of an Original Issue Discount Note that is also a Foreign Currency Note, a United States holder should determine the U.S. dollar amount includible in income as OID for each accrual period by (a) calculating the amount of OID allocable to each accrual period in the foreign currency using the constant-yield method described above, and (b) translating the amount of the foreign currency so derived at the average exchange rate in effect during that accrual period (or portion thereof within a United States holder’s taxable year) or, at the United States holder’s election (as described above under “—Payments of Interest”), at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. Because exchange rates may fluctuate, a United States holder of an Original Issue Discount Note that is also a Foreign Currency Note may recognize a different amount of OID income in each accrual period than would the holder of an otherwise similar Original Issue Discount Note denominated in U.S. dollars. All payments on an Original Issue Discount Note (other than payments of qualified stated interest) will generally be viewed first as payments of previously-accrued OID (to the extent thereof), with payments attributed first to the earliest-accrued OID, and then as payments of principal. Upon the receipt of an amount attributable to OID (whether in connection with a payment of an amount that is not qualified stated interest or the sale or retirement of the Original Issue Discount Note), a United States holder will recognize ordinary income or loss measured by the difference between the amount received (translated into U.S. dollars at the exchange rate in effect on the date of receipt or on the date of disposition of the Original Issue Discount Note, as the case may be) and the amount accrued (using the exchange rate applicable to such previous accrual).

A subsequent United States holder of an Original Issue Discount Note that purchases the Note at a cost less than its remaining redemption amount (as defined below), or an initial United States holder that purchases an Original Issue Discount Note at a price other than the Note’s issue price, also generally will be required to include in gross income the daily portions of OID, calculated as described above. However, if the United States holder acquires the Original Issue Discount Note at a price greater than its adjusted issue price, such holder is required to reduce its periodic inclusions of OID income to reflect the premium paid over the adjusted issue price. The “remaining redemption amount” for a Note is the total of all future payments to be made on the Note other than payments of qualified stated interest.

Floating Rate Notes generally will be treated as “variable rate debt instruments” under the OID Regulations. Accordingly, the stated interest on a Floating Rate Note generally will be treated as “qualified stated interest” and such a Note will not have OID solely as a result of the fact that it

provides for interest at a variable rate. If a Floating Rate Note does not qualify as a “variable rate debt instrument,” such Note will be subject to special rules (the “**Contingent Payment Regulations**”) that govern the tax treatment of debt obligations that provide for contingent payments (“**Contingent Debt Obligations**”). A detailed description of the tax considerations relevant to United States holders of any such Notes will be provided in the applicable Pricing Supplement.

Certain of the Notes may be subject to special redemption, repayment or interest rate reset features, as indicated in the applicable Pricing Supplement. Notes containing such features, in particular Original Issue Discount Notes, may be subject to special rules that differ from the general rules discussed above. Purchasers of Notes with such features should carefully examine the applicable Pricing Supplement and should consult their own tax advisors with respect to such Notes since the tax consequences with respect to such features, and especially with respect to OID, will depend, in part, on the particular terms of the purchased Notes.

Premium and Market Discount

A United States holder of a Note that purchases the Note at a cost greater than its remaining redemption amount (as defined in the third preceding paragraph) generally will be considered to have purchased the Note at a premium, and may elect to amortize such premium (as an offset to interest income), using a constant-yield method, over the remaining term of the Note. Such election, once made, generally applies to all bonds held or subsequently acquired by the United States holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the IRS. A United States holder that elects to amortize such premium must reduce its tax basis in a Note by the amount of the premium amortized during its holding period. Original Issue Discount Notes purchased at a premium will not be subject to the OID rules described above. In the case of premium in respect of a Foreign Currency Note, a United States holder should calculate the amortization of such premium in the foreign currency. Amortization deductions attributable to a period reduce interest payments in respect of that period and therefore are translated into U.S. dollars at the exchange rate used by the United States holder for such interest payments. Exchange gain or loss will be realized with respect to amortized bond premium on such a Note based on the difference between the exchange rate on the date or dates such premium is recovered through interest payments on the Note and the exchange rate on the date on which the United States holder acquired the Note. With respect to a United States holder that does not elect to amortize bond premium, the amount of bond premium will be included in the United States holder’s tax basis when the Note matures or is disposed of by the United States holder. Therefore, a United States holder that does not elect to amortize such premium and that holds the Note to maturity generally will be required to treat the premium as capital loss when the Note matures.

If a United States holder of a Note purchases the Note at a price that is lower than its remaining redemption amount, or in the case of an Original Issue Discount Note, its adjusted issue price, by at least 0.25% of its remaining redemption amount multiplied by the number of remaining whole years to maturity, the Note will be considered to have “market discount” in the hands of such United States holder. In such case, gain realized by the United States holder on the disposition of the Note generally will be treated as ordinary income to the extent of the market discount that accrued on the Note while held by such United States holder. In addition, the United States holder could be required to defer the deduction of a portion of the interest paid on any indebtedness incurred or maintained to purchase or carry the Note. In general terms, market discount on a Note will be treated as accruing ratably over the term of such Note, or, at the election of the holder, under a constant-yield method. Market discount on a Foreign Currency Note will be accrued by a United States holder in the specified currency. The amount includible in income by a United States holder in respect of such accrued market discount will be the U.S. dollar value of the amount accrued, generally calculated at the exchange rate in effect on the date that the Note is disposed of by the United States holder.

A United States holder may elect to include market discount in income on a current basis as it accrues (on either a ratable or constant-yield basis), in lieu of treating a portion of any gain realized on a sale of a Note as ordinary income. If a United States holder elects to include market discount on a current basis, the interest deduction deferral rule described above will not apply. Any accrued market discount on a Foreign Currency Note that is currently includible in income will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the United States holder's taxable year). Any such election, if made, applies to all market discount bonds acquired by the taxpayer on or after the first day of the first taxable year to which such election applies and is revocable only with the consent of the IRS.

Short-Term Notes

The rules set forth above will also generally apply to Notes having maturities of not more than one year ("**Short-Term Notes**"), but with certain modifications.

First, the OID Regulations treat none of the interest on a Short-Term Note as qualified stated interest. Thus, all Short-Term Notes will be Original Issue Discount Notes. OID will be treated as accruing on a Short-Term Note ratably, or at the election of a United States holder, under a constant yield method.

Second, a United States holder of a Short-Term Note that uses the cash method of tax accounting and is not a bank, securities dealer, regulated investment company or common trust fund, and does not identify the Short-Term Note as part of a hedging transaction, will generally not be required to include OID in income on a current basis. Such a United States holder may not be allowed to deduct all of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry such Note until the maturity of the Note or its earlier disposition in a taxable transaction. In addition, such a United States holder will be required to treat any gain realized on a sale, exchange or retirement of the Note as ordinary income to the extent such gain does not exceed the OID accrued with respect to the Note during the period the United States holder held the Note. Notwithstanding the foregoing, a cash-basis United States holder of a Short-Term Note may elect to accrue OID into income on a current basis or to accrue the "acquisition discount" on the Note under the rules described below. If the United States holder elects to accrue OID or acquisition discount, the limitation on the deductibility of interest described above will not apply.

A United States holder using the accrual method of tax accounting and certain cash-basis United States holders (including banks, securities dealers, regulated investment companies and common trust funds) generally will be required to include original issue discount on a Short-Term Note in income on a current basis. Alternatively, a United States holder of a Short-Term Note can elect to accrue the "acquisition discount," if any, with respect to the Note on a current basis. If such an election is made, the OID rules will not apply to the Note. Acquisition discount is the excess of the Short-Term Note's stated redemption price at maturity (i.e., all amounts payable on the Short-Term Note) over the purchase price. Acquisition discount will be treated as accruing ratably or, at the election of the United States holder, under a constant-yield method based on daily compounding.

Finally, the market discount rules will not apply to a Short-Term Note.

Notes Providing for Contingent Payments

The Contingent Payment Regulations, which govern the tax treatment of Contingent Debt Obligations, generally require accrual of interest income on a constant-yield basis in respect of such obligations at a yield determined at the time of their issuance, and may require adjustments to such

accruals when any contingent payments are made. A detailed description of the tax considerations relevant to United States holders of any contingent debt obligations will be provided in the applicable Pricing Supplement.

Information Reporting and Backup Withholding

Information returns may need to be filed with the IRS with respect to payments made to certain United States holders of Notes. In addition, certain United States holders may be subject to backup withholding tax in respect of such payments if they do not provide their taxpayer identification numbers and certify that they are not subject to backup withholding or otherwise establish an exemption from backup withholding. Persons holding Notes who are not United States holders may be required to comply with applicable certification procedures to establish that they are not United States holders in order to avoid the application of such information reporting requirements and backup withholding tax. Any amounts withheld under the backup withholding rules will be allowed as a credit against a United States holder's United States federal income tax liability, if any, or as a refund, provided the required information is timely furnished to the IRS.

Information with Respect to Foreign Financial Assets

Certain United States holders that own "specified foreign financial assets" with an aggregate value in excess of U.S.\$50,000 on the last day of the taxable year or U.S.\$75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-United States financial institution, as well as securities issued by a non-United States issuer (which would include the Notes) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. United States holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in Notes, including the application of the rules to their particular circumstances.

Reportable Transactions

A United States taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules are not entirely clear. Under the relevant rules, if the debt securities are denominated in a foreign currency, a United States holder may be required to treat a foreign currency exchange loss from the debt securities as a reportable transaction if this loss is equal to or exceeds the relevant threshold in the regulations (U.S.\$50,000 in a single taxable year, if the United States holder is an individual or trust, or higher amounts for other non-individual United States holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.\$10,000 in the case of a natural person and U.S.\$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Prospective purchasers are urged to consult their tax advisors regarding the application of these rules.

Malaysian Tax Considerations

Under present Malaysian law, all interest payable by a Labuan Company (as defined in the Labuan Business Activity Tax Act 1990) to non-residents is exempted from withholding tax.

However, there is no assurance that this present position will continue and in the event that such exemption is revoked, modified or rendered otherwise inapplicable, such interest shall be subject to withholding tax at the then prevailing withholding tax rate. However, notwithstanding the foregoing, the Issuer shall be obliged pursuant to the terms of the Notes, in the event of any such withholding, to pay such additional amounts to the investors so as to ensure that the investors receive the full amount which they would have received had no such withholding been imposed.

Certain Canadian Federal Income Tax Considerations

The following is a summary of the principal Canadian federal income tax considerations generally applicable at the date hereof to a person who acquires beneficial ownership of a Note issued by the Canadian Issuer pursuant to the Program and who at all relevant times for purposes of the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the “**Tax Act**”): (a) deals at arm’s length with the Canadian Issuer, the Guarantor and its subsidiaries; (b) is not, and is not deemed to be, a resident of Canada; (c) is entitled to receive all payments (including any interest and principal) made in respect of the Note; (d) is not, and deals at arm’s length with each person who is, a “specified shareholder” of the Canadian Issuer for the purposes of the thin capitalization rules in the Tax Act; and (e) does not use or hold and is not deemed to use or hold the Note in, or in the course of, carrying on a business in Canada (“**Non-Resident Holder**”). Special rules which apply to non-resident insurers carrying on business in Canada and elsewhere are not discussed in this summary.

This summary is based upon: (a) the current provisions of the Tax Act in force as of the date hereof; (b) all specific proposals to amend the Tax Act that have been publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof (“**Tax Proposals**”), and (c) the current published administrative policies of the Canada Revenue Agency (“**CRA**”). This summary assumes that the Tax Proposals will be enacted as currently proposed, but no assurance can be given that this will be the case. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Tax Proposals, does not take into account or anticipate any changes in law or in the administrative or assessing policies and practices of the CRA, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations.

In general, for the purposes of the Tax Act, all amounts relating to the acquisition, holding, redemption or other disposition of Notes (including adjusted cost base, proceeds of disposition, interest, and premium, if any) must be expressed in Canadian dollars. For purposes of the Tax Act, amounts not otherwise expressed in Canadian dollars must be converted into Canadian dollars based on exchange rates as determined in accordance with the Tax Act.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any prospective Non-Resident Holder. Accordingly, prospective Non-Resident Holders should consult their own tax advisers with respect to their particular circumstances. In addition, the acquisition, holding and disposition of Notes will generally have Canadian income tax implications to Canadian residents and non-residents who carry on (or are deemed to carry on) a business in Canada and any such investors should consult with their own tax advisors.

If the principal Canadian federal income tax considerations applicable to any particular Series or Tranche of Notes are materially different from those that are described in this summary, such Canadian federal income tax considerations will be summarized in the applicable Pricing Supplement related to that particular Series or Tranche of Notes.

Interest paid or credited or deemed to be paid or credited (including amounts as, on account or in lieu of payment of, or in satisfaction of interest) by the Canadian Issuer to a Non-Resident Holder in respect of a Note will not be subject to Canadian non-resident withholding tax unless all or any portion of such interest (other than on a “prescribed obligation” described below) is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any other similar criterion or by reference to dividends paid or payable to shareholders of any class or series of shares of the capital stock of a corporation (“**Participating Debt Interest**”). An obligation is a “prescribed obligation” if it is an “indexed debt obligation” and no amount payable in respect of it is contingent or dependent upon the use of, or production from, property in Canada or computed by reference to revenue, profit, cash flow, commodity price or any other similar criterion, other than a change in the purchasing power of money, or dividends paid or payable to shareholders of any class of shares. An “indexed debt obligation” is a debt obligation the terms or conditions of which provide for an adjustment to an amount payable in respect of the obligation for a period during which the obligation was outstanding that is determined by reference to a change in the purchasing power of money.

In the event that a Note is redeemed, cancelled, repurchased or purchased by any person resident or deemed to be resident in Canada (“**Canadian Transferee**”) from a Non-Resident Holder or is otherwise assigned or transferred by a Non-Resident Holder to a Canadian Transferee for an amount which exceeds, generally, the issue price thereof, such excess may, in certain circumstances, be deemed to be interest and may, together with (but without duplication of) any interest that has accrued on the Note to that time, be subject to Canadian non-resident withholding tax if: (i) all or any portion of such interest is Participating Debt Interest; or (ii) the Non-Resident Holder does not deal at arm’s length with such Canadian Transferee. Such excess will not be subject to withholding tax if the Note is considered to be an “excluded obligation” for purposes of the Tax Act. A Note that: (a) is not an indexed debt obligation; (b) was issued for an amount not less than 97% of the principal amount (as defined in the Tax Act) of the Note, and (c) the yield from which, expressed in terms of an annual rate (determined in accordance with the Tax Act) on the amount for which the Note was issued does not exceed 4/3 of the interest stipulated to be payable on the Note, expressed in terms of an annual rate on the outstanding principal amount from time to time, will be an excluded obligation for this purpose.

If applicable, the normal rate of Canadian non-resident withholding tax is 25% but such rate may be reduced under the terms of an applicable income tax treaty between Canada and the country in which the Non-Resident Holder is resident.

Generally, there are no other Canadian federal income taxes that would be payable by a Non-Resident Holder as a result of holding or disposing of a Note (including for greater certainty, any gain realized by a Non-Resident Holder on a disposition of a Note).

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**Inland Revenue Ordinance**”) as it is currently applied by the Inland Revenue Department, interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, professional or business carried on in Hong Kong in the following circumstances:

- (a) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (b) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation (other than a financial institution) carrying on a trade, profession or business in Hong Kong; or
- (c) interest on the Notes is derived from Hong Kong and is received by or accrues to a person (other than a corporation) carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business.

Sums derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person who carries on a trade, profession or business in Hong Kong and the sums have a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired or disposed of.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes, provided either:

- (a) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable, nor may at the option of any person be repaid, in the currency of Hong Kong; or
- (b) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong)).

If stamp duty is payable, it is payable by the relevant Issuer or the Guarantor on the issue of Bearer Notes at a rate of HK\$3 per HK\$100 or part thereof of the market value of the Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes.

Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfers of Registered Notes, provided that either:

- (a) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not redeemable, nor may at the option of any person be redeemed, in the currency of Hong Kong; or

- (b) the Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong)).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.2% (of which 0.1% is payable by the seller and 0.1% is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. If, in the case of either the sale or purchase of such Registered Notes, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK\$5.00 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

INDEPENDENT AUDITORS

The consolidated and unconsolidated financial statements of Petroliam Nasional Berhad (PETRONAS) as of December 31, 2020 and 2019, and for each of the years in the three-year period ended December 31, 2020, included in this Offering Circular have been audited by KPMG PLT, independent auditors, as stated in their report appearing herein.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in an amended and restated program agreement (the “**Program Agreement**”) dated February 26, 2021, agreed with the Issuers and PETRONAS a basis upon which they or any of them may from time to time agree to purchase, or procure purchasers of, Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*.” The Issuer will pay the Relevant Dealer(s) a commission as agreed between them in respect of Notes issued under the Program.

In accordance with the terms of the Program Agreement, the Issuers (failing which, PETRONAS) has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Program and the issue of Notes under the Program and the Issuers and PETRONAS have agreed to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

The Dealers and certain of their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the Dealers and/or their respective affiliates have, in the past, performed investment banking and advisory services for PETRONAS for which they have received customary fees and expenses. Each of the Dealers and/or their respective affiliates may, from time to time, engage in further transactions with, and perform services for, PETRONAS in the ordinary course of their respective businesses. In addition, in the ordinary course of their various business activities, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account or for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the Issuers or PETRONAS. Certain of the Dealers or their affiliates that have a lending relationship with PETRONAS routinely hedge their credit exposure to PETRONAS consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in PETRONAS’ or its subsidiaries’ securities, including potentially the Notes. The Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Transfer Restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) will be deemed to have acknowledged, represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

- (i) that either: (a) if the Series includes Rule 144A Notes, it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A; or (b) if the Series includes IAI

Registered Notes, it is an Institutional Accredited Investor which has delivered an IAI Investment Letter; or (c) it is outside the United States and is not a U.S. person;

- (ii) that the Notes and the Guarantee are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (iii) that, unless it holds an interest in a Regulation S Global Note and either is a person located outside the United States or is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the Issuer, the Guarantor or their respective affiliates was the owner of such Notes, only: (a) to the Issuer, the Guarantor or their respective affiliates; (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A or, if the applicable Pricing Supplement so permit, to an Institutional Accredited Investor that has delivered a duly executed IAI Investment Letter in a private transaction exempt from the registration requirements of the Securities Act; (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act; (d) pursuant to an exemption from registration under the Securities Act (if available); or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. state securities laws;
- (iv) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (iii) above, if then applicable;
- (v) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
- (vi) that the Notes, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer and the Guarantor:

“THIS NOTE AND THE RELATED GUARANTEE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT (1) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL “ACCREDITED INVESTOR” (AS DEFINED IN RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN “INSTITUTIONAL ACCREDITED INVESTOR”); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE NOTE EXCEPT IN ACCORDANCE WITH THE AGENCY

AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER, THE GUARANTOR OR THEIR RESPECTIVE AFFILIATES WAS THE OWNER OF SUCH NOTE, OTHER THAN (1) TO THE ISSUER, THE GUARANTOR OR THEIR RESPECTIVE AFFILIATES, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS NOTE, THE RELATED GUARANTEE AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS NOTE AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).”;

- (vii) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as forty days after the completion of the distribution of all the Notes in a particular Tranche), it will do so only: (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act; or (ii) if the Series includes Rule 144A Notes to a QIB in compliance with Rule 144A; and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer and the Guarantor:

“THIS NOTE AND THE RELATED GUARANTEE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR

PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. THIS LEGEND SHALL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES OF THE TRANCHE OF WHICH THIS NOTE FORMS PART”; and

- (viii) that the Issuer, the Guarantor and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by Section 4(a)(2) of the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form. See “Form of the Notes.”

The IAI Investment Letter will state, among other things, the following:

- (i) that the Institutional Accredited Investor has received a copy of this Offering Circular and such other information as it deems necessary in order to make its investment decision;
- (ii) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in this Offering Circular and the Notes (including those set out above) and that it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;
- (iii) that the Institutional Accredited Investor understands that the offer and sale of the Notes have not been registered under the Securities Act, and that the Notes may not be offered or sold except as permitted in the following sentence. The Institutional Accredited Investor agrees, on its own behalf and on behalf of any accounts for which it is acting, not to offer, sell or otherwise transfer such Notes except (A) to the Issuer and the Guarantor or any affiliate thereof, (B) inside the United States to a person whom it reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act purchasing for its own account or for the account of a qualified institutional buyer in a transaction which meets the requirements of Rule 144A, (C) to an Institutional Accredited Investor that, prior to such transfer, furnishes to the Issuer and the Guarantor a signed letter IAI Investment Letter, (D) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (E) pursuant to an effective registration statement under the Securities Act or (F) pursuant to any other available exemption from the registration requirements of the Securities Act, in each case, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;
- (iv) that, in the normal course of its business, the Institutional Accredited Investor invests in or purchases securities similar to the Notes;

- (v) that the Institutional Accredited Investor is an Institutional Accredited Investor within the meaning of Rule 501 (a)(1), (2), (3) or (7) of Regulation D under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and it and any accounts for which it is acting are each able to bear the economic risk of its or any such accounts' investment for an indefinite period of time; and
- (vi) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes in a transaction that would violate the Securities Act or the securities laws of any State of the United States or any other applicable jurisdiction.

No sale of the Legended Notes in the United States to any one purchaser will be for less than (in the case of an Institutional Accredited Investor) U.S.\$500,000 (or its foreign currency equivalent) principal amount and (in the case of a QIB) U.S.\$200,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$200,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.\$500,000 (or its foreign currency equivalent) principal amount of the Registered Notes.

Representations of Canadian Investors

Each Canadian investor who purchases Notes on a private placement basis will be deemed to have represented to the Issuer, the Relevant Dealers and any dealer from whom the purchaser confirmation is received, that such investor, or any ultimate investor for which such initial investor is acting as agent: (a) is resident in a province of Canada and is entitled under applicable provincial securities laws to purchase such Notes without the benefit of a prospectus qualified under such securities laws, (b) is basing its investment decision solely on this Offering Circular and any Supplemental Offering Circular and not on any other information concerning the Issuer or the offering, (c) it has been independently advised as to restrictions with respect to trading in the Notes imposed by applicable securities laws in the jurisdiction in which it resides, confirms that no representation (written or oral) has been made to it by or on behalf of the Issuer or the Dealers with respect thereto, acknowledges that it is aware of the characteristics of the Notes, the risks relating to an investment in the Notes and of the fact that it may not be able to resell the Notes except in accordance with limited exemptions under applicable securities legislation and regulatory policy and compliance with the other requirements of applicable law, (d) acknowledges that it has been advised to consult its own legal counsel in its jurisdiction of residence for full particulars of the resale restrictions applicable to it, (e) has reviewed and acknowledges the terms referred to below under the heading "Canadian Resale Restrictions", and (f) is in compliance with the following:

- (i) the investor is an "accredited investor" as defined in Section 73.3(1) of the *Securities Act* (Ontario) (if the investor is resident in the Province of Ontario) or in Section 1.1 of National Instrument 45-106—*Prospectus Exemptions* ("NI 45-106"), as applicable, and is not a person created or being used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" in Section 1.1 of NI 45-106;
- (ii) the investor is either purchasing Notes as principal for its own account, or is deemed to be purchasing the Notes as principal for its own account in accordance with the applicable

securities laws of the province in which such investor is resident, by virtue of being either (i) a trust company or trust corporation as further described in subsection (p) of the definition of “accredited investor” in Section 1.1 of NI 45-106; or (ii) a person acting on behalf of a fully managed account managed by that person as further described in subsection (q) of the definition of “accredited investor” in Section 1.1 of NI 45-106;

- (iii) the investor is not an individual unless the investor is a “permitted client” (as such term is defined in National Instrument 31-103—*Registration Requirements, Exemptions and Ongoing Registrant Obligations*) (“**NI 31-103**”);
- (iv) if the investor is purchasing from or through a Relevant Dealer or other dealer relying on the international dealer exemption found in NI 31-103, the investor is a “permitted client” (as such term is defined in NI 31-103);
- (v) the investor acknowledges and agrees that the offering was made exclusively under this Offering Circular and was not made through an advertisement of the Notes in any printed media of general and regular paid circulation, radio, television or telecommunications, including electronic display, or any other form of advertising in Canada;
- (vi) the investor acknowledges that the Notes are being distributed in Canada on a private placement basis only and that any resale of Notes must be in accordance with the requirements of applicable securities laws, which will vary depending on the relevant jurisdictions;
- (vii) where required by applicable securities laws, regulations or rules, the investor will execute, deliver and file such reports, undertakings and other documents relating to the purchase of the Notes by the investor as may be required by such laws, regulations or rules, or assist the Issuer and the Relevant Dealers, as applicable, in obtaining and filing such reports, undertakings and other documents or provide to the Issuer or the Relevant Dealers such information about the investors as may be required by such laws, regulations or rules. Furthermore, by purchasing the Notes, the investor acknowledges that it may be required to certify as to its status as an “accredited investor” under NI 45-106 or Section 73.3 of the *Securities Act* (Ontario), as applicable, and that such information and other information that the investor may have provided to any Relevant Dealers involved in the trade of the Notes may be required to be delivered by such Relevant Dealers to the Issuer or other parties under the terms of the Program Agreement and the supplements thereto. By purchasing the Notes, the investor consents to the disclosure of such information;
- (viii) the investor acknowledges and agrees that its name and other specified information, including the amount of Notes purchased, will be disclosed to the relevant Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable securities and freedom of information laws and regulations. The investor consents to the disclosure of such information. If required by applicable securities laws or stock exchange rules, the investor agrees to execute, deliver and file or assist the Relevant Dealers and/or the Issuer in obtaining and filing such certificates, reports, undertakings and other documents relating to the purchase of the Notes by the investor as may be required by any securities commission, stock exchange or other regulatory authority; and

- (ix) none of the funds being used to purchase the Notes are, to the best of its knowledge, proceeds obtained or derived, directly or indirectly, as a result of illegal activities and:
- (a) the funds being used to purchase the Notes and advanced by or on behalf of the investor to the Issuer and/or the applicable Relevant Dealer do not represent proceeds of crime for the purpose of the Criminal Code (Canada) or the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada) (collectively, the “**Anti-Money Laundering Laws**”);
 - (b) it is not a person or entity identified on a list established under any Anti-Money Laundering Law (including, without limitation, Section 83.05 of the *Criminal Code* (Canada)) and the investor is not a person or entity identified in the legislation or regulations enacting any economic or financial sanctions, laws, regulations, embargoes, or restrictive measures imposed, administered or enforced by Canada, including but not limited to, the provisions of the *United Nations Act* (Canada), the *Special Economic Measures Act* (Canada) or any other economic sanctions laws administered by Foreign Affairs and International Trade Canada or the Department of Public Safety Canada (collectively, “**Canadian Economic Sanctions**”);
 - (c) it acknowledges that the Issuer and the applicable Relevant Dealer may in the future be required by law to disclose the name of and other information relating to the investor and any purchase of the Notes, on a confidential basis, pursuant to the Anti-Money Laundering Laws and the legislation, regulations or instruments enacting Canadian Economic Sanctions or as otherwise may be required by applicable laws, regulations or rules, and by accepting delivery of this Offering Circular it will be deemed to have agreed to the foregoing;
 - (d) to the best of its knowledge, none of the funds to be provided by or on behalf of the investor to the applicable Relevant Dealer (i) have been or will be derived from or related to any activity that is deemed criminal under the laws of Canada or any other jurisdiction, or (ii) are being tendered on behalf of a person or entity who has not been identified to the investor; and
 - (e) it shall promptly notify the Issuer and the applicable Relevant Dealer if it discovers that any of the representations contained in this subparagraph (viii) ceases to be true, and shall provide the Issuer and the applicable Relevant Dealer with appropriate information in connection therewith.

Indirect Collection of Personal Information

By investing in the Notes, each individual Canadian investor acknowledges that its name, address, telephone number and other specified information, including the aggregate amount and value of Notes it has purchased, may be disclosed to other Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable laws. By investing in the Notes, the Canadian investor consents to the disclosure of such information.

In addition, each Canadian investor will be deemed to have represented to the Issuer and the Relevant Dealer, as applicable, and each dealer from whom a purchaser confirmation is received, that such investor:

- (i) has been notified by the Issuer that:
 - (a) the Issuer or the Relevant Dealer may be required to provide personal information pertaining to the investor as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the aggregate price paid by the investor for the Notes (“**personal information**”), which Form 45-106F1 may be required to be filed by the Issuer under NI 45-106;
 - (b) such personal information may be delivered to the securities regulatory authority in each Canadian jurisdiction in accordance with NI 45-106;
 - (c) such personal information is collected indirectly under the authority granted to the securities regulatory authority in each Canadian jurisdiction under applicable securities legislation;
 - (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of each local Canadian jurisdiction; and
 - (e) the contact information in each local Canadian jurisdiction for questions about the collection of such personal information is as follows:

Alberta Securities Commission

Suite 600, 250—5th Street SW
Calgary, Alberta T2P 0R4
Telephone: (403) 297-6454
Toll free in Canada: 1-877-355-0585
Facsimile: (403) 297-2082

British Columbia Securities Commission

P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, British Columbia V7Y 1L2
Inquiries: (604) 899-6854
Toll free in Canada: 1-800-373-6393
Facsimile: (604) 899-6581
Email: inquiries@bcsc.bc.ca

The Manitoba Securities Commission

500—400 St. Mary Avenue
Winnipeg, Manitoba R3C 4K5
Telephone: (204) 945-2548
Toll free in Manitoba 1-800-655-5244
Facsimile: (204) 945-0330

**Financial and Consumer Services Commission
(New Brunswick)**

85 Charlotte Street, Suite 300
Saint John, New Brunswick E2L 2J2
Telephone: (506) 658-3060

Nova Scotia Securities Commission

Suite 400, 5251 Duke Street
Duke Tower
P.O. Box 458
Halifax, Nova Scotia B3J 2P8
Telephone: (902) 424-7768
Facsimile: (902) 424-4625

Ontario Securities Commission

20 Queen Street West, 22nd Floor
Toronto, Ontario M5H 3S8
Telephone: (416) 593- 8314
Toll free in Canada: 1-877-785-1555
Facsimile: (416) 593-8122
Email: exemptmarketfilings@osc.gov.on.ca
Public official contact regarding indirect collection of information:
Inquiries Officer

Prince Edward Island Securities Office

95 Rochford Street, 4th Floor Shaw Building
P.O. Box 2000
Charlottetown, Prince Edward Island C1A 7N8
Telephone: (902) 368-4569
Facsimile: (902) 368-5283

Autorité des marchés financiers

800, Square Victoria, 22^e étage

Toll free in Canada: 1-866-933-2222
Facsimile: (506) 658-3059
Email: info@fcnb.ca

**Government of Newfoundland and Labrador
Financial Services Regulation Division**
P.O. Box 8700
Confederation Building
2nd Floor, West Block
Prince Philip Drive
St. John's, Newfoundland and Labrador A1B 4J6
Attention: Director of Securities
Telephone: (709) 729-4189
Facsimile: (709) 729-6187

C.P. 246, Tour de la Bourse
Montreal, Quebec H4Z 1G3
Telephone: (514) 395-0337 or 1-877-525-0337
Facsimile: (514) 873-6155 (For filing purposes only)
Facsimile: (514) 864-6381 (For privacy requests only)
Email: financementdessocietes@lautorite.qc.ca (For corporate finance issuers);
fonds_dinvestissement@lautorite.qc.ca (For investment fund issuers)

Financial and Consumer Affairs Authority of Saskatchewan
Suite 601- 1919 Saskatchewan Drive
Regina, Saskatchewan S4P 4H2
Telephone: (306) 787-5879
Facsimile: (306) 787-5899

- (b) has authorized the indirect collection of the personal information by the securities regulatory authority or regulator in each Canadian jurisdiction.

In addition, by purchasing the Notes, each Canadian investor will be deemed to have agreed to provide the Issuer and the Relevant Dealers, as applicable, with any and all information about the Canadian investor necessary to permit the Issuer and the Relevant Dealers, as applicable, to properly complete and file Form 45-106F1 as required under NI 45-106.

Canadian Resale Restrictions

The distribution of the Notes in the provinces of Canada is being made on a private placement basis only and is therefore exempt from the requirement that the Issuer prepare and file a prospectus with the relevant Canadian securities regulatory authorities. Accordingly, any resale of the Notes in Canada must be made in accordance with applicable Canadian securities laws, which may require resales to be made in accordance with exemptions from the prospectus requirement and in compliance with, or in accordance with exemptions from, the registration requirements. These resale restrictions may in some circumstances apply to resales of the Notes outside Canada. Canadian purchasers are advised to seek legal advice prior to any resale of the Notes.

The Issuer is not, and may never be, a “reporting issuer”, as such term is defined under applicable Canadian securities legislation, in any province or territory of Canada and there currently is no public market for any of the securities of the Issuer in Canada, including the Notes, and one may never develop. Canadian investors are advised that under no circumstances will the Issuer be required to file a prospectus or similar document with any securities regulator or regulatory authority in Canada qualifying the resale of the Notes to the public in any province or territory of Canada. Canadian investors are also advised that the Issuer currently has no intention to file a prospectus or similar document with any securities regulator or regulatory authority in Canada qualifying the resale of the Notes to the public in any province or territory in Canada.

In order to comply with the dealer registration requirements of Canadian securities laws, any resale of the Notes by a Canadian investor must be made either by a person not required to register

as a dealer under applicable Canadian securities laws, or through an appropriately registered dealer or in accordance with applicable Canadian securities laws, or through an appropriately registered dealer or in accordance with an exemption from the dealer registration requirements.

Language of Documents

Upon acceptance of this Offering Circular, each investor in Notes in Canada hereby agrees that it is such investor's express wish that all documents evidencing or relating in any way to the sale of the Notes (including for greater certainty any purchase confirmation or any notice) be drafted in the English language only. *Par l'acceptation de ce document, chaque souscripteur de billets au Canada reconnaît par les présentes avoir expressément demandé que soient rédigés en anglais uniquement tous les documents qui, de quelque façon que ce soit, attestent la vente de ces billets ou y ont trait.*

Bank Act (Canada)

The Issuer is not a member institution of the Canada Deposit Insurance Corporation. The liability incurred by the Issuer through the issuance and sale of the Notes is not a deposit. The Issuer is not regulated as a financial institution in Canada.

Interest Act (Canada)

For purposes of the *Interest Act* (Canada) and disclosure thereunder, wherever any interest to be paid upon Notes issued by the Issuer is to be calculated on the basis of a 360-day or 365-day year, the yearly rate of interest to which the rate used in such calculation is equivalent is the rate so used multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by 360 or 365, as applicable. The rates of interest under Notes issued by the Issuer are nominal rates and not effective rates or yields. The principle of deemed reinvestment of interest does not apply to any interest calculation under Notes issued by the Issuer.

Selling Restrictions

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this section have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) and the U.S. Treasury regulations and administrative guidance promulgated thereunder, including TEFRA D, TEFRA C, and Notice 2012-20. For purposes of this Offering Circular, “**TEFRA D**” and “**TEFRA C**” mean rules in substantially the same form as U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) and §1.163-5(c)(2)(i)(C), respectively, for purposes of Section 4701 of the Code.

If the relevant Pricing Supplement relating to any Tranche of Bearer Notes specifies that the applicable TEFRA exemption is “TEFRA D,” each Relevant Dealer will be required to represent, undertake and agree that:

- (i) except to the extent permitted under TEFRA D, (a) it has not offered or sold, and during the restricted period will not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person and (b) it has not delivered and will not deliver within the United States or its possessions definitive Bearer Notes that are sold during the restricted period;
- (ii) it has, and throughout the restricted period it will have in effect, procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by TEFRA D;
- (iii) if it is a United States person, it is acquiring the Bearer Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it will only do so in accordance with the applicable requirements of TEFRA D;
- (iv) with respect to each affiliate that acquires Bearer Notes from it for the purpose of offering or selling such Bearer Notes during the restricted period, it either: (a) repeats and confirms the representations and agreements contained in subparagraphs (i), (ii) and (iii) above on such affiliate’s behalf; or (b) agrees that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in subparagraphs (i), (ii) and (iii) above;
- (v) it shall obtain for the benefit of the Issuer the representations, undertakings and agreements contained in subparagraphs (i), (ii), (iii), and (iv) of this paragraph from any person other than its affiliate with whom it enters into a written contract, (a “distributor” as defined in TEFRA D), for the offer or sale during the restricted period of the Notes; and
- (vi) if it will be a holder of the Notes on the earlier of the date of the first actual payment of interest by the Issuer on such Notes or the date of delivery by the Issuer of the definitive Notes, it will deliver to the Issuer and the Guarantor a duly executed certification as required by TEFRA D in the form set forth in Annex A to the Selling Restrictions attached to the Program Agreement and such certification is a condition precedent to the Issuer’s delivery of such Notes.

If the relevant Pricing Supplement relating to any Tranche of Bearer Notes specifies that the applicable TEFRA exemption is “TEFRA C,” such Bearer Notes must, in connection with their original issuance, be issued and delivered outside the United States and its possessions and, accordingly, each Relevant Dealer will be required to represent, warrant and undertake that, in connection with the original issuance of the Bearer Notes:

- (i) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Bearer Notes within the United States or its possessions in connection with their original issuance of such Notes;
- (ii) it has not negotiated or communicated, and will not negotiate or communicate, directly or indirectly, with a prospective purchaser if it or such prospective purchaser is within the

United States or its possessions and will not otherwise involve its United States office in the offer and sale of Bearer Notes;

- (iii) it has not and will not advertise or otherwise promote such Bearer Notes in the United States or its possessions; and
- (iv) it has not and will not significantly engage in “interstate commerce” with respect to the issuance of such Bearer Notes within the meaning of TEFRA C.

In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Regulation S (“**Regulation S Notes**”), each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it will not offer, sell or deliver such Regulation S Notes: (i) as part of their distribution at any time; or (ii) otherwise until forty days after the completion of the distribution, as determined and certified by the Relevant Dealer(s) or, in the case of an issue of Notes on a syndicated basis, the relevant Lead Manager(s), of all Notes of the Tranche of which such Regulation S Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons, except if the relevant series includes Rule 144A Notes pursuant to an exemption from registration under the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Program will be required to agree, that it will send to each dealer to which it sells any Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until forty days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

If a Series includes Rule 144A Notes, Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is U.S.\$200,000 (or the approximate equivalent thereof in any other currency). To the extent that PETRONAS is not subject to or does not comply with the reporting requirements of Section 13 or 15(d) of the Exchange Act or the information furnishing requirements of Rule 12g3-2(b) thereunder, PETRONAS has agreed to furnish to holders of Notes and to prospective purchasers designated by such holders, upon request, such information as may be required by Rule 144A(d)(4).

If so specified in the applicable Pricing Supplement for a Series, Dealers may also arrange for the sale of Notes to Institutional Accredited Investors in private transactions exempt from the registration requirements of the Securities Act. Each Institutional Accredited Investor will be required to deliver a duly executed IAI Investment Letter. The minimum aggregate principal amount of Notes which may be purchased by an Institutional Accredited Investor is U.S.\$500,000.

Each issuance of Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the Relevant Dealer(s) may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

European Economic Area Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

- (i) unless the Pricing Supplement specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the EEA. For the purposes of this provision:
 - (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (A) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
 - (B) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (C) not a qualified investor as defined in Regulation (EU) No 2017/1129 (as amended, the “**Prospectus Regulation**”); and
 - (b) the expression an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.
- (ii) If the Pricing Supplement specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, in relation to each Member State of the EEA, it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Member State:
 - (a) if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Member State (a “**Non-exempt Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Member State, or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
 - (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the Relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer, the Guarantor or any Relevant Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an offer of Notes to the public in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression Prospectus Regulation means Regulation (EU) No 2017/1129.

Hong Kong

Each Dealer has represented and agreed and each further Dealer appointed under the Program will be required to represent and agree, that:

- (i) it has not offered or sold, and will not offer or sell, in the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"), by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") and any rules made under the SFO, or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) (the "**FIEA**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Malaysia

The Notes may not be offered, sold or delivered, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Part I of Schedule 6 (or Section 229(1)(b)), Part I of Schedule 7 (or Section 230(1)(b)), and Schedule 8 (or Section 257(3)), read together with Schedule 9 (or Section 257(3)) of the Capital Markets and Services Act 2007 of Malaysia, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission Malaysia and/or any other regulatory authority from time to time.

In addition, residents of Malaysia may be required to obtain relevant regulatory approvals, including approval from the Controller of Foreign Exchange to purchase the Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the dealers is responsible for any invitation, offer, sale or purchase of the Notes as aforesaid without the necessary approvals being in place.

An invitation to subscribe for, or an offer to purchase the Notes may only be made into Labuan if such Notes are offered for subscription or sale, sold, transferred or otherwise disposed of, directly or indirectly to a person falling, or if such offer or invitation falls, within Section 8(5) of the Labuan Financial Services and Securities Act 2010.

Singapore

The Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, the Notes may not be made the subject of an invitation for subscription or purchase and may not be offered or sold or be caused to be made the subject of an invitation for subscription or purchase, and the Offering Circular may not be circulated or distributed, nor may other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA, as modified or amended from time to time pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall

not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person (defined in Section 275(2) of the SFA) or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law; or
- (iv) as specified in Section 276(7) of the SFA.

NOTIFICATION UNDER SECTION 309B(1) OF THE SFA

The Notes are prescribed capital markets products (as defined in the SFA (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Program will be required to represent and agree, that:

- (i) unless the Pricing Supplement specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:
 - (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or
 - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the UK Financial Services and Markets Act 2000 (the “**FSMA**”) to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of United Kingdom domestic law by virtue of the EUWA; or
 - (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and
 - (b) the expression an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

- (ii) in relation to any Notes which have a maturity of less than one year, (i) the Relevant Dealer is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) the Relevant Dealer has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (iii) the Relevant Dealer has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (iv) the Relevant Dealer has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

- (i) an “Exempt Offer” for the purposes of the Markets Rules 2012 of the Dubai Financial Services Authority (“**DFSA**”); and
- (ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business.

State of Qatar

Each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any Notes in the State of Qatar (“**Qatar**”), except (a) in compliance with all applicable laws and regulations of Qatar and (b) through persons or corporate entities authorized and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar.

Kingdom of Bahrain

Each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes except on a private placement basis to persons in the Kingdom of Bahrain who are “accredited investors.”

For this purpose, an “accredited investor” means:

- (i) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (ii) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (iii) a government, supranational organization, central bank or other national monetary authority or a state organization whose main activity is to invest in financial instruments (such as a state pension fund).

Kuwait

Each Dealer has represented and agreed that no Notes have been licensed for offering in Kuwait by the Kuwait Capital Markets Authority. The offering of the Notes in Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Law No. 7 of 2010 “Establishing of the Capital Markets Authority and the organization of securities activity”, its Executive Regulations and the various Resolutions and Announcements issued pursuant thereto or in connection therewith. No private or public offering of the Notes is being made in Kuwait, and no agreement relating to the sale of the Notes will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Notes in Kuwait.

Canada

This Offering Circular does not constitute and is not to be construed as a public offering of Notes in any jurisdiction in Canada. No securities commission or similar regulatory authority in Canada has reviewed this Offering Circular or has in any way passed upon the merits of Notes offered hereunder. No prospectus has been filed with any such authority in connection with Notes offered hereunder.

In respect of any offers of Notes in Canada, each Relevant Dealer on behalf of itself and each of its affiliates that participates in the initial distribution of any Notes has or will be required to represent, warrant and agree that:

- (i) the sale and delivery of any Notes to any purchaser who is a resident of Canada it shall be made so as to be exempt from the prospectus filing requirements and exempt from or in compliance with the dealer registration requirements of all applicable securities laws and regulations, rulings and orders made thereunder and rules, instruments and policy statements issued and adopted by the relevant securities regulator or regulatory authority, including those applicable in each of the provinces of Canada and only to such purchasers that are resident in a province of Canada;
- (ii) where required under applicable Canadian securities laws, (i) it is duly registered under the applicable Canadian securities laws (is otherwise relying on an exemption from the registration requirements under applicable Canadian securities laws) in each province where it proposes to sell and deliver the Notes to purchasers that are resident of such province, and to whom it sells or delivers any Notes or (ii) such sale and delivery will be made through an affiliate of it that is so registered (or is otherwise relying on an exemption from such registration requirements) and agrees to make such sale and delivery in compliance with the representations, warranties and agreements of the Relevant Dealer set out in the Program Agreement and the supplements thereto;

- (iii) it will comply with all applicable Canadian securities laws concerning any distribution of the Notes in Canada;
- (iv) it will use commercially reasonable efforts to confirm that each Canadian purchaser, or any ultimate investor for which such initial investor is acting as agent (i) is an “accredited investor” as defined in Section 73.3 of the *Securities Act* (Ontario) (if the investor is resident in the Province of Ontario) or in Section 1.1 of NI 45-106, as applicable; (ii) is not a person created or being used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of “accredited investor” in section 1.1 of NI 45-106; (iii) is either purchasing Notes as principal (or deemed to be purchasing as principal under Canadian securities laws); (iv) is not an individual unless the investor is a “permitted client” (as such term is defined in NI 31-101) and (v) if the Relevant Dealer or affiliate is relying on the international dealer exemption in NI 31-103, is a “permitted client” (as such term is defined in NI 31-101); such Relevant Dealer will use commercially reasonable efforts to obtain and retain relevant information and documentation to evidence the steps taken to verify compliance with the exemption in accordance with its usual document retention policies and procedures in compliance with applicable laws, and will provide to the Issuer forthwith upon written request all such information or documentation as the Issuer may reasonably request in good faith and solely for the purpose of verifying compliance with the exemption, correcting any required filings and responding to regulatory inquiries with respect thereto;
- (v) other than in accordance with applicable Canadian securities laws, the offer and sale of the Notes was not made through or accompanied by any advertisement of the Notes, including, without limitation, in printed media of general and regular paid circulation, radio, television or telecommunications, including electronic display, or any other form of advertising or as part of a general solicitation in Canada; and
- (vi) it has not provided and will not provide to any purchaser any document or other material that would constitute an offering memorandum (other than this Offering Circular, any Supplemental Offering Circular or the information set out herein).

Taiwan (ROC)

Each Dealer has represented and agreed that the Notes have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of the ROC and/or other regulatory authority of the ROC pursuant to relevant securities laws and regulations and may not be sold, issued or offered within the ROC through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of the ROC or relevant laws and regulations that requires a registration, filing or approval of the Financial Supervisory Commission of the ROC and/or other regulatory authority of the ROC. No person or entity in the ROC has been authorized to offer or sell the Notes in the ROC.

Korea

Each Dealer has represented and agreed that it has not and will not, directly or indirectly, offer, sell or deliver any Notes in Korea or to, or for the account or benefit of, any resident of Korea (as such term is defined in the Korean Foreign Exchange Transaction Law “**FETL**”), or to others for reoffering or resale, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as such term is defined in the FETL), except as otherwise permitted by applicable Korean laws and regulations, including the Financial Investment Services and Capital Markets Act

and the FETL) and the decrees and regulations thereunder. The Notes have not been registered with the Financial Services Commission of Korea for public offering in Korea.

Furthermore, the Notes may not be re-sold to Korean residents unless the purchaser of the Notes complies with all applicable regulatory requirements (including but not limited to government approval requirements under the FETL and its subordinate decrees and regulations) in connection with their purchase. The aggregate number of Notes offered in Korea or to a resident in Korea, shall in each case be less than 50. By purchasing the Notes, each noteholder will be deemed to represent, warrant and agree that for a period of one year from the issue date thereof, the Notes, may not be sub-divided or re-denominated so as to result in increasing the aggregate number of Notes to 50 or more.

General

Each Dealer has agreed, and each further Dealer appointed under the Program will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, PETRONAS nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, PETRONAS and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the Relevant Dealer(s) will be required to comply with such other restrictions as the Issuer, PETRONAS and the Relevant Dealer(s) shall agree and as shall be set out in the applicable Pricing Supplement.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, CDS, Euroclear or Clearstream (each a “Clearing System” and together, the “Clearing Systems”) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuers and PETRONAS believe to be reliable, but none of the Issuers, PETRONAS or any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuers, PETRONAS, the Arranger, any Dealer or any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The applicable Pricing Supplement will specify the Clearing System(s) applicable for each Series.

Book-entry Systems

DTC

DTC has advised the Issuer and PETRONAS that it is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (“**Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the “**Rules**”), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (“**DTC Notes**”) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the U.S. Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (“**Owners**”) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other name as may be requested by an authorized representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer and PETRONAS as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer, PETRONAS or the Principal Paying Agent on the due date for payment in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer or PETRONAS, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer (and failing whom, PETRONAS), disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Because of time zone differences, credits of Notes received in Clearstream or Euroclear as a result of a transaction with a DTC Participant may be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such Notes settled during such processing will be reported to the relevant Clearstream participants or Euroclear participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of Notes by or through a Clearstream participant or a Euroclear participant to a DTC Participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended as set forth under “*Subscription and Sale and Transfer and Selling Restrictions.*”

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-entry Ownership of and Payment in respect of CDS

CDS was formed in November 2006 pursuant to the restructuring of The Canadian Depository for Securities Limited (“**CDS Ltd.**”). CDS is wholly-owned by CDS Ltd. CDS Ltd. was incorporated in 1970 and remains the holding company for CDS and two other operating subsidiaries and is Canada’s national securities clearing and depository services organization. CDS Ltd. was acquired in August 2012 by Maple Group Acquisition Corporation (renamed TMX Group Limited). CDS is part of TMX Group Limited. It is affiliated with CDS Inc., which provides services to the Canadian Securities Administrators, and CDS Innovations Inc., a commercial marketer of CDS information products such as CDS Bulletins and entitlements information.

CDS is Canada’s national securities depository, clearing and settlement hub, supporting Canada’s equity, fixed income and money markets. Functioning as a service utility for the Canadian financial community, CDS provides a wide variety of computer automated services for financial

institutions and investment dealers active in domestic and international capital markets. CDS participants (“**CDS Participants**”) include banks, investment dealers and trust companies and may include certain of the Dealers. Indirect access to CDS is available to other organizations that clear through or maintain a custodial relationship with a CDS Participant. Transfers of ownership and other interests in Notes deposited in CDS, including cash distributions, may only be processed through CDS Participants and will be completed in accordance with existing CDS rules and procedures. CDS is headquartered in Toronto and has offices in Montreal, Vancouver and Calgary.

Book-entry Ownership of and Payments in respect of DTC Notes

The Issuer and PETRONAS may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the Relevant Dealer(s). Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including the respective depositaries of Euroclear and Clearstream. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants’ account.

The Issuer and PETRONAS expect DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer and PETRONAS also expect that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar, the Issuer or PETRONAS. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer (and failing whom, PETRONAS).

CDS

The Canadian dollar-denominated Notes of each Series issued in Canada, subject to certain exceptions, will be represented by one or more fully-registered global securities held by, or on behalf of, CDS, as custodian of the global securities (for its participants) and registered in the name of CDS & Co., and registrations of interests in and transfers of the Notes will be made only through the book-entry only system of CDS. Except as described below, owners of beneficial interests in Notes will not be entitled to a certificate or other instrument from the Issuer or the Guarantor or CDS evidencing the purchaser’s ownership thereof, owners of beneficial interests in Notes held

through CDS and its participants will not be considered the “holders” of those Notes under the Program and no such beneficial owner of Notes will be shown on the records maintained by CDS, although it is expected that such beneficial interests will be reflected through book-entry accounts of CDS’ direct and indirect participants acting on behalf of such beneficial owners. Each purchaser of Notes represented by a Global Registered Note is expected to receive a customer confirmation of purchase from the Relevant Dealer from which the Notes are purchased in accordance with the practices and procedures of the Relevant Dealer. The practices of the Relevant Dealer may vary but, generally, customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its direct participants having interests in global securities, and CDS’ direct and indirect participants will be responsible for maintaining book-entry accounts for beneficial owners holding interests in the Notes. Sales of interests in a global security in CDS can only be completed through participants in the book-entry only depositary service of CDS.

None of the Issuer, Guarantor or the Relevant Dealers will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Notes held by CDS or any of its direct or indirect participants or the payments relating thereto; (b) maintaining, supervising or retaining any records relating to the Notes; or (c) any advice or representation made by, or with respect to, CDS or any action to be taken by CDS or at the direction of its participants.

The laws of some states may require that certain purchasers of securities take physical delivery of securities in definitive form. Such limits and such laws may impair the ability to own, transfer or pledge beneficial interests in the Notes.

For as long as the Notes are maintained in book-entry form at CDS, CDS or its nominee will be the registered holder of the Notes for all purposes and all payments on the Notes will be made to CDS and payments to beneficial owners of Notes will be made in accordance with CDS’ procedures and the procedures of its participants. Consequently, purchasers will need to look to CDS and its participants through which such purchaser’s interests in the Notes are owned for any payment or to exercise any rights in respect of the Notes. The Issuers and the Guarantor bear no responsibility for the actions of CDS or its participants, and any purchaser’s ability to receive payments or exercise any rights in respect of the notes will be subject to their procedures.

Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under “*Subscription and Sale and Transfer and Selling Restrictions—Transfer*

Restrictions”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream or Euroclear accountholders, on the other, will be effected by the relevant Clearing System in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (“**Custodian**”) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date two business days after the trade date (T+2). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. For transfers between a Regulation S Global Note and a Rule 144A Global Note, transfers will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of such transfers, settlement cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuers, PETRONAS, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Transfers of beneficial ownership of Notes represented by a global security deposited with CDS will be effected only through records maintained by CDS for such global security (with respect to interests of participants) and on the records of its direct and indirect participants (with respect to interests of persons other than participants). Beneficial owners who are not participants in the book-entry only depository service of CDS, but who desire to purchase, sell or otherwise transfer ownership of or other interests in a global security, may do so only through participants in the book-entry only depository service of CDS.

The ability of a beneficial owner of an interest in a Note represented by a global security to pledge the Notes or otherwise take action with respect to such owner’s interest in the Notes represented by a global security (other than through a participant) may be limited due to the lack of possession of a certificate representing physical notes.

CDS may discontinue providing its services as securities depository with respect to the Notes deposited in CDS at any time by giving reasonable notice to the Issuer. If CDS is no longer willing or able to discharge properly its responsibilities as depository with respect to the Notes, the Issuer will use commercially reasonable efforts to locate a qualified successor. However, definitive Notes will be issued in exchange for beneficial interests in global Notes, registered in the names of persons other than CDS or its nominee, only if there is an Exchange Event. In the event that definitive Notes

are to be issued as aforesaid, the Issuer will notify the Registrar and promptly execute, and the authenticating agent, upon receipt of an order from the Issuer for the authentication and delivery of definitive notes, will authenticate and deliver definitive Notes in an aggregate principal amount equal to the principal amount of the global securities in exchange for beneficial interests in such global securities in accordance with the instructions, if any, of CDS.

If definitive Notes are issued under the limited circumstances described above, registration of transfers or exchanges of certificated Notes may be made by delivery of those certificated Notes, duly endorsed or accompanied by instruments of transfer duly endorsed, by the registered holders thereof, at the office of a registrar for the Notes.

Purchasers may elect to hold interests in the Notes outside Canada through Clearstream and Euroclear, if such purchaser is a participant in those systems, or indirectly through organizations that are participants in those systems. Clearstream and Euroclear will hold interests on behalf of their participants through securities accounts in Clearstream's and Euroclear's names on the books of their respective sub-custodians. The interests are ultimately held through a CDS Participant that acts as sub-custodian for Euroclear or Clearstream, as applicable.

Cross market transfers between persons holding directly or indirectly through CDS Participants, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected in CDS in accordance with CDS rules; however, such cross market transactions will require delivery of instructions to the relevant clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. The relevant clearing system will, if the transaction meets its settlement requirements, deliver instructions to CDS directly or through its Canadian sub-custodian to take action to effect final settlement on its behalf by delivering or receiving Notes in CDS, and making or receiving payment in accordance with normal procedures for settlement in CDS. Clearstream participants and Euroclear participants may not deliver instructions directly to CDS or the Canadian sub-custodians.

Because of time zone differences, credits of Notes received in Clearstream or Euroclear as a result of a transaction with a CDS Participant may be made during subsequent securities settlement processing and dated the business day following the CDS settlement date. Such credits or any transactions in such Notes settled during such processing will be reported to the relevant Clearstream participants or Euroclear participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of Notes by or through a Clearstream participant or a Euroclear participant to a CDS Participant will be received with value on the CDS settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in CDS.

Although CDS, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of Notes among participants of CDS, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time. The Issuers and the Guarantor will not have any responsibility for the performance by CDS, Euroclear or Clearstream or their respective direct or indirect participants of their obligations under the rules and procedures governing their operations.

STATUTORY RIGHTS OF ACTION IN CANADA

Securities legislation in certain of the provinces of Canada provides purchasers, in addition to any other rights they may have at law, with a remedy for rescission or damages where an offering document or any amendment to it, and in some cases, advertising and sales literature used in connection therewith, contains a misrepresentation. These remedies, or notice with respect thereto, must be exercised or delivered, as the case may be, by the purchaser within the time limit prescribed, and are subject to the defenses contained, in the applicable securities legislation. Canadian purchasers should refer to the applicable provisions of the securities legislation of their province for the particulars of these rights or consult with a legal advisor.

Statutory Rights of Action (Ontario Purchasers)

Section 5.2 of OSC Rule 45-501—*Ontario Prospectus and Registration Exemptions* provides that when an offering memorandum, such as this Offering Circular, is delivered to an investor to whom securities are distributed in reliance upon the “accredited investor” prospectus exemption in Section 73.3(2) of the *Securities Act* (Ontario), the right of action referred to in Section 130.1 of the *Securities Act* (Ontario) (“**Section 130.1**”) is applicable, unless the prospective purchaser is:

- (i) a Canadian financial institution, meaning either:
 - (a) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under Section 473(1) of that Act; or
 - (b) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;
- (ii) a Schedule III bank, meaning an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);
- (iii) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada); or
- (iv) a subsidiary of any person referred to in paragraphs (a), (b) or (c), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of the subsidiary.

Section 130.1 provides such investors who purchase securities offered by an offering memorandum with a statutory right of action against the Issuer of securities for rescission or damages in the event that the offering memorandum and any amendment to it contains a “misrepresentation”. “Misrepresentation” means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading or false in the light of the circumstances in which it was made.

Where this Offering Circular is delivered to a prospective purchaser of Notes in connection with a trade made in reliance on Section 73.3(2) of the *Securities Act* (Ontario), and this document contains a misrepresentation the purchaser will have, without regard to whether the purchaser relied on the misrepresentation, a statutory right of action against the Issuer for damages or, while still the

owner of Notes, for rescission, in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages, provided that no action shall be commenced more than, in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or, in the case of any action other than an action for rescission, the earlier of: (i) 180 days after such holder of Notes first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction that gave rise to the cause of action.

The defendant shall not be liable for a misrepresentation if it proves that the purchaser purchased the Notes with knowledge of the misrepresentation.

In an action for damages, the defendant shall not be liable for all or any portion of the damages that the defendant proves do not represent the depreciation in value of the Notes as a result of the misrepresentation relied upon.

In no case shall the amount recoverable for the misrepresentation exceed the price at which the Notes were offered.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express provisions of the *Securities Act* (Ontario) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Statutory Rights of Action (Saskatchewan Purchasers)

Section 138 of *The Securities Act, 1988* (Saskatchewan), as amended (the “**Saskatchewan Act**”) provides that where an offering memorandum (such as this Offering Circular) or any amendment to it is sent or delivered to a purchaser and it contains a “misrepresentation” (as defined in the Saskatchewan Act), a purchaser who purchases a security covered by the offering memorandum or any amendment to it has, without regard to whether the purchaser relied on the misrepresentation, if it was a misrepresentation at the time of purchase, and has a right of action for rescission against the Issuer or a selling security holder on whose behalf the distribution is made or a right of action for damages against:

- (i) the Issuer or a selling security holder on whose behalf the distribution is made;
- (ii) every promoter and director of the Issuer or the selling security holder, as the case may be, at the time the offering memorandum or any amendment to it was sent or delivered;
- (iii) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;
- (iv) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and
- (v) every person who or company that sells securities on behalf of the Issuer or selling security holder under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

- (i) if the purchaser elects to exercise its right of rescission against the Issuer or selling security holder, it shall have no right of action for damages against that party;
- (ii) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the misrepresentation relied on;
- (iii) no person or company, other than the Issuer or a selling security holder, will be liable for any part of the offering memorandum or any amendment to it purporting to be made on the person's or company's own authority as an expert or purporting to be a copy of, or an extract from, the person's or company's own report, opinion or statement as an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation;
- (iv) no person who or company that sells securities on behalf of the Issuer or selling security holder will be liable if that person or company can establish that he, she or it cannot reasonably be expected to have had knowledge of any misrepresentation in the offering memorandum or any amendment to it;
- (v) in no case shall the amount recoverable exceed the price at which the securities were offered; and
- (vi) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation.

In addition, no person or company, other than the Issuer or selling security holder, will be liable if the person or company proves, among other things, that:

- (i) the offering memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered;
- (ii) after the filing of the offering memorandum or any amendment to it and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the offering memorandum or any amendment to it, the person or company withdrew the person's or company's consent to it and gave reasonable general notice of the person's or company's withdrawal and the reason for it;
- (iii) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, or that the part of the offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert;

- (iv) with respect to any part of the offering memorandum or of any amendment to it purporting to be made on the person's or company's own authority as an expert or purporting to be a copy of, or an extract from, the person's or company's own report, opinion or statement as an expert that contains a misrepresentation attributable to failure to represent fairly his, her or its report, opinion or statement as an expert:
 - (a) the person or company had, after reasonable investigation, reasonable grounds to believe, and did believe, that the part of the offering memorandum or of any amendment to it fairly represented the person's or company's report, opinion or statement; or
 - (b) on becoming aware that the part of the offering memorandum or of any amendment to it did not fairly represent the person's or company's report, opinion or statement as an expert, the person or company immediately advised the Financial and Consumer Affairs Authority of Saskatchewan and gave reasonable general notice that such use had been made of it and that the person or company would not be responsible for that part of the offering memorandum or of any amendment to it; or
- (v) with respect to a false statement purporting to be a statement made by an official person or contained in what purports to be a copy of or extract from a public official document, the statement was a correct and fair representation of the statement or copy of or extract from the document and the person or company had reasonable grounds to believe, and did believe, that the statement was true.

Not all defences upon which the Issuer or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

The liability for damages of all persons and companies referred to above is joint and several, provided that the court may deny the right to recover a contribution where, in all the circumstances of the case, it is satisfied that to permit recovery of a contribution would not be just and equitable.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the individual who made the verbal statement.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold by a vendor who is trading in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Financial and Consumer Affairs Authority of Saskatchewan.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by Section 80.1 of the Saskatchewan Act.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

Section 147 of the Saskatchewan Act provides that no action shall be commenced to enforce any of the foregoing rights more than:

- (i) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (ii) in the case of any other action, other than an action for rescission, the earlier of:
 - (a) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or
 - (b) six years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act with a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two business days of receiving the amended offering memorandum.

This summary is subject to the express provisions of the Saskatchewan Act and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Statutory Rights of Action (Newfoundland and Labrador Purchasers)

By purchasing Notes hereunder, purchasers in Newfoundland and Labrador will be deemed to have been granted by the Issuer and will be entitled to the same rights of action for damages or rescission provided to residents of Ontario who purchase Notes.

Statutory Rights of Action (Nova Scotia Purchasers)

The right of action for rescission or damages described herein is conferred by section 138 of the *Securities Act* (Nova Scotia) ("**Section 138**"). Section 138 provides, in the relevant part, that in the event that this Offering Circular, together with any amendments hereto, or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia)) contains an untrue statement of material fact or omits to state a material fact that is required to be stated or that is necessary in order to make any statements contained herein or therein not misleading in light of the circumstances in which it was made (a "misrepresentation"), a purchaser of Notes is deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the seller of such Notes, the directors of the seller at the date of this Offering Circular and the persons who have signed this Offering Circular or, alternatively, while still the owner of the Notes, may elect instead to exercise a statutory right of rescission against the seller, in which case the purchaser shall have no right of action for damages against the seller, the directors of the seller or the persons who have signed this Offering Circular, provided that, among other limitations:

- (i) no action shall be commenced to enforce the right of action for rescission or damages by a purchaser resident in Nova Scotia later than 120 days after the date payment was made for

the Notes (or after the date on which initial payment was made for the Notes where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment);

- (ii) no person will be liable if it proves that the purchaser purchased the Notes with knowledge of the misrepresentation;
- (iii) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Notes as a result of the misrepresentation relied upon; and
- (iv) in no case will the amount recoverable in any action exceed the price at which the Notes were offered to the purchaser.

In addition no person or company other than the Issuer is liable if that person or company proves that:

- (i) this Offering Circular or any amendment to this Offering Circular was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;
- (ii) after delivery of this Offering Circular or any amendment to this Offering Circular and before the purchase of the Notes by the purchaser, on becoming aware of any misrepresentation in this Offering Circular, or amendment to this Offering Circular, the person or company withdrew the person's or company's consent to this Offering Circular, or amendment to this Offering Circular, and gave reasonable general notice of the withdrawal and the reason for it; or
- (iii) with respect to any part of this Offering Circular or amendment to this Offering Circular purporting: (i) to be made on the authority of an expert; or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (A) there had been a misrepresentation, or (B) the relevant part of this Offering Circular or amendment to this Offering Circular (1) did not fairly represent the report, opinion or statement of the expert, or (2) was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Furthermore, no person or company other than the Issuer is liable under Section 138 with respect to any part of this Offering Circular or amendment to this Offering Circular not purporting: (a) to be made on the authority of an expert, or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed that there had been a misrepresentation.

If a misrepresentation is contained in a record incorporated by reference in, or deemed incorporated into, this Offering Circular or amendment to this Offering Circular, the misrepresentation is deemed to be contained in this Offering Circular or amendment to this Offering Circular.

The liability of all persons or companies referred to above is joint and several with respect to the same cause of action. A defendant who is found liable to pay a sum in damages may recover a

contribution, in whole or in part, from a person or company who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law. This summary is subject to the express provisions of the *Securities Act* (Nova Scotia) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Statutory Rights of Action (New Brunswick Purchasers)

Section 2.1 of Financial and Consumer Services Commission Rule 45-802 provides that the statutory rights of action in rescission or damages referred to in section 150 of the *Securities Act* (New Brunswick) (“**Section 150**”) apply to information relating to an offering memorandum, such as this Offering Circular, that is provided to a purchaser of securities in connection with a distribution made in reliance on the “accredited investor” prospectus exemption in section 2.3 of NI 45-106. Section 150 provides investors who purchase securities offered for sale in reliance on an exemption from the prospectus requirements of the *Securities Act* (New Brunswick) with a statutory right of action against the Issuer of securities for rescission or damages in the event that an offering memorandum provided to the purchaser contains a “misrepresentation”. Section 150 also provides such investors with a statutory right of action against every person who was a director of the Issuer at the date of the offering memorandum and every person who signed the offering memorandum. Under the *Securities Act* (New Brunswick), “misrepresentation” means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

Where this Offering Circular is delivered to a prospective purchaser of Notes in connection with a trade made in reliance on section 2.3 of NI 45-106, and this document contains a misrepresentation, a purchaser who purchases the securities shall be deemed to have relied on the misrepresentation and will have, subject to certain limitations and defences, a statutory right of action against the Issuer for damages or, while still the owner of Notes, for rescission (if the securities were purchased from (i) the Issuer or (ii) the selling security holder on whose behalf the distribution was made), in which case, if the purchaser elects to exercise the right of rescission, the purchaser will have no right of action for damages, provided that the right of action for rescission will be exercisable by the purchaser only if the purchaser commences an action against the defendant, not more than 180 days after the date of the transaction that gave rise to the cause of action, or, in the case of any action other than an action for rescission, the earlier of: (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) six years after the date of the transaction that gave rise to the cause of action.

The defendant shall not be liable for a misrepresentation if it proves that the purchaser purchased the Notes with knowledge of the misrepresentation.

In an action for damages, the defendant shall not be liable for all or any portion of the damages that the defendant proves do not represent the depreciation in value of the Notes as a result of the misrepresentation relied upon.

In no case shall the amount recoverable for the misrepresentation exceed the price at which the Notes were offered.

The liability of all persons and companies referred to above is joint and several. The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right the purchaser may have at law.

This summary is subject to the express provisions of the *Securities Act* (New Brunswick) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Statutory Rights of Action (Prince Edward Island Purchasers)

The right of action for rescission or damages described herein is conferred by section 112 of the *Securities Act* (Prince Edward Island) (“**Section 112**”). Section 112 provides that, in the event that this Offering Circular contains a “misrepresentation”, a purchaser who purchased the Notes during the period of distribution, without regard to whether the purchaser relied upon such misrepresentation, has a statutory right of action for damages against the Issuer, the selling security holder on whose behalf the distribution is made, every director of the Issuer at the date of this Offering Circular, and every person who signed this Offering Circular. Alternatively, the purchaser while still the owner of the Notes may elect to exercise a statutory right of action for rescission against the Issuer, or the selling security holder on whose behalf the distribution is made. Under the *Securities Act* (Prince Edward Island), “misrepresentation” means an untrue statement of material fact, or an omission to state a material fact that is required to be stated by the *Securities Act* (Prince Edward Island), or an omission to state a material fact that needs to be stated so that a statement is not false or misleading in light of the circumstances in which it is made. Statutory rights of action for rescission or damages by a purchaser are subject to the following limitations:

- (i) no action will be commenced to enforce the right of action for rescission by a purchaser, resident in Prince Edward Island, later than 180 days after the date of the transaction that gave rise to the cause of action;
- (ii) in the case of any action other than an action for rescission:
 - (a) 180 days after the purchaser first had knowledge of the facts given rise to the cause of action; or
 - (b) three years after the date of the transaction giving rise to the cause of action;whichever period expires first;
- (iii) no person will be liable if the person proves that the purchaser purchased the security with knowledge of the misrepresentation;
- (iv) no person other than the Issuer or selling security holder will be liable if the person proves that:
 - (a) this Offering Circular, or any amendment thereto, was sent to the purchaser without the person’s knowledge or consent and that, on becoming aware of it being sent, the person had promptly given reasonable notice to the Issuer that it had been sent without the knowledge and consent of the person;
 - (b) the person, on becoming aware of the misrepresentation in this Offering Circular, or any amendment thereto, had withdrawn the person’s consent to this Offering Circular, or any amendment thereto, and had given reasonable notice to the Issuer of the withdrawal and the reason for it; or
 - (c) with respect to any part of this Offering Circular, or any amendment thereto, purporting to be made on the authority of an expert or purporting to be a copy of, or

an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe, and did not believe that;

(A) there had been a misrepresentation; or

(B) the relevant part of this Offering Circular, or any amendment thereto:

1. did not fairly represent the report, statement or opinion of the expert, or
2. was not a fair copy of, or an extract from, the report, statement, or opinion of the expert.

If the purchaser elects to exercise a right of action for rescission, the purchaser will have no right of action for damages.

In no case will the amount recoverable in any action exceed the price at which the Notes were offered to and purchased by the purchaser.

In an action for damages, the defendant will not be liable for any damages that the defendant proves do not represent the depreciation in value of the Notes as a result of the misrepresentation.

The foregoing statutory right of action for rescission or damages conferred is in addition to and without derogation from any other right or remedy the purchaser may have at law.

This summary is subject to the express conditions of the *Securities Act* (Prince Edward Island) and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

Statutory Rights of Action (Manitoba)

Pursuant to section 141.1(1) of the *Securities Act* (Manitoba) (the “**Manitoba Act**”), where this Offering Circular, or any amendment to this Offering Circular, is sent or delivered to a purchaser in the Province of Manitoba and such document contains a misrepresentation, a purchaser who purchases Notes offered by this Offering Circular or any amendment to this Offering Circular is deemed to have relied on that misrepresentation if it was a misrepresentation at the time of purchase and, subject to the defenses described in the Manitoba Act, has:

- (i) a right of action for damages against:
 - (a) the Issuer;
 - (b) every director of the Issuer at the date of this Offering Circular or any amendment to the Offering Circular; and
 - (c) every person or company who signed this Offering Circular or any amendment to this Offering Circular; and
- (ii) while still an owner of the Notes, a right of rescission against the Issuer which if exercised will result in the purchaser having no right of action for damages against the Issuer or against a person or company referred to in (a) (ii) or (iii) above;

provided that:

- (i) no person or company is liable if the person or company proves that the purchaser purchased the Notes with knowledge of the misrepresentation;
- (ii) in an action for damages, the defendant is not liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the Notes resulting from the misrepresentation; and
- (iii) in no case will the amount recovered exceed the price at which the Notes were offered under this Offering Circular or any amendment to this Offering Circular.

No person or company other than the Issuer is liable:

- (i) if the person or company proves that this Offering Circular or any amendment to this Offering Circular was sent without the person's or company's knowledge or consent and that, after becoming aware of its being sent, the person or company promptly gave reasonable notice to the Issuer that it was so sent;
- (ii) if the person or company proves that after becoming aware of any misrepresentation in this Offering Circular or any amendment to this Offering Circular, the person or company withdrew the person's or company's consent to it and gave reasonable notice to the Issuer of the person's or company's withdrawal and the reason for it;
- (iii) if the person or company proves that with respect to any part of this Offering Circular or of any amendment to this Offering Circular purporting to be made on the authority of an expert or purporting to be a copy of or an extract from a report, opinion or statement of an expert, the person or company had no reasonable grounds to believe and did not believe that:
 - (a) there had been a misrepresentation; or
 - (b) the relevant part of this Offering Circular or of the amendment to this Offering Circular:
 - (A). did not fairly represent the report, opinion or statement of the expert; or
 - (B). was not a fair copy of or extract from the report, opinion or statement of the expert; or
- (iv) with respect to any part of this Offering Circular or of the amendment to this Offering Circular not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, the expert's report, opinion or statement, unless the person or company:
 - (a) did not conduct an investigation, sufficient to provide reasonable grounds for a belief that there had been no misrepresentation; or
 - (b) believed that there had been a misrepresentation.

Pursuant to section 141.4 of the Manitoba Act, but subject to the other provisions thereof, no action shall be commenced to enforce any of the foregoing rights more than:

- (i) in the case of an action for rescission, 180 days from the date of the transaction that gave rise to the cause of action, or
- (ii) in the case of an action for damages, the earlier of:
 - (a) 180 days after the date that the plaintiff first had knowledge of the facts giving rise to the cause of action, or
 - (b) two years after the date of the transaction that gave rise to the cause of action.

If a misrepresentation is contained in a record that is incorporated by reference in, or that is deemed to be incorporated into, this Offering Circular or any amendment to this Offering Circular, the misrepresentation is deemed to be contained in this Offering Circular or any amendment to this Offering Circular.

The foregoing statutory rights of action for rescission or damages under the Manitoba Act are in addition to and without derogation from any other right that the purchaser may have at law.

This summary is subject to the express provisions of the Manitoba Act and the regulations and rules made under it, and prospective investors should refer to the complete text of those provisions.

GENERAL INFORMATION

1. Listing of the Notes:

With respect to any Notes that may be issued by the Labuan Issuer pursuant to the Program and which are agreed at or prior to the time of issue thereof to be listed, approval-in-principle has been obtained on March 5, 2015 for (a) listing of such Notes on, and admission to the Official List of, the Labuan International Financial Exchange and (b) for listing of such Notes on, and admission to the Official List of, Bursa Malaysia under the Bursa Malaysia (Exempt Regime). With respect to any Notes that may be issued by the Canadian Issuer pursuant to the Program and which are agreed at or prior to the time of issue thereof to be listed, approval-in-principle, if applicable, will be obtained for (a) listing of such Notes on, and admission to the Official List of, the Labuan International Financial Exchange and (b) for listing of such Notes on, and admission to the Official List of, Bursa Malaysia under the Bursa Malaysia (Exempt Regime). The Issuers and PETRONAS cannot guarantee that the application for listing of the Notes on the Hong Kong Stock Exchange will be approved and/or that the Notes will be so listed, or that Notes sought to be listed on the Labuan International Financial Exchange or Bursa Malaysia (Exempt Regime) will be so listed. See *“Risk Factors—Risks Relating to the Notes—A listing of the Notes on a securities exchange cannot be guaranteed.”* The offering and settlement of the Notes are not conditional on obtaining any of these listings. Moreover, even if the Notes are so listed at the time of issuance, PETRONAS may seek an alternative listing for such Notes on another stock exchange, but there can be no assurance that such alternative listing will be obtained. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange, the Labuan International Financial Exchange and Bursa Malaysia take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. Approval-in-principle from, admission of the Notes to, and the listing and quotation of the Notes on, the Hong Kong Stock Exchange, Labuan International Financial Exchange and/or Bursa Malaysia (Exempt Regime) is not to be taken as an indication of the merits of the Issuers or the Guarantor, the Program or the Notes. Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, an investor should consult his or her advisors.

The legal entity identifier of PETRONAS is 5493003RZQYJM7QGNE15, the legal entity identifier of PETRONAS Capital Limited is 549300G7YFX3540OYR85 and the legal entity identifier of PETRONAS Energy Canada Ltd. is 5493001PEB90YGTDC638.

2. Responsibility Statement:

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuers. The Issuers and the Guarantor accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

3. Authorizations:

The update of the Program was authorized by resolutions of the board of directors of PETRONAS Capital Limited dated February 25, 2021. The update of the Program was authorized by resolutions of the board of directors of PETRONAS Energy Canada Ltd. dated February 23, 2021. The update of the Program and the Guarantee were authorized by resolutions of the board of

directors of PETRONAS dated February 25, 2021. The establishment of the Program and the giving of the Guarantee were also authorized by resolutions of the board of directors of PETRONAS dated February 26, 2015. Each of PETRONAS, PETRONAS Capital Limited and PETRONAS Energy Canada Ltd. has obtained or has agreed to obtain from time to time all necessary consents, approvals and authorizations in connection with the issue of Notes and the giving of the Guarantee under the Program and entry into the relevant transaction documents.

4. No Material Adverse Change:

Except as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of PETRONAS since December 31, 2020.

5. Litigation:

Except as disclosed in this Offering Circular, the Issuers are not involved in any legal, arbitration, administrative or other proceedings relating to claims which are material in the context of the issue of the Notes and, so far as the Issuers are aware, no such proceedings are pending or being threatened.

6. Available Documents:

As long as any Note is outstanding, copies of the following documents will be available for inspection, and in the case of the document referred to in paragraph (b) below, copies may be obtained, during normal business hours at the registered office of the Issuer and from the specified office of the Principal Paying Agent for the time being, that is, 40th Floor, One Canada Square, London, E14 5AL, United Kingdom:

- (a) the Program Agreement, the Agency Agreement, the Guarantee, and forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (b) a copy of this Offering Circular;
- (c) any future offering memoranda, prospectuses, information memoranda and supplements (including Pricing Supplements save that a Pricing Supplement related to an unlisted Series of Notes will only be available for inspection by a holder of any such Notes and such holder must produce evidence satisfactory to the Issuer, PETRONAS and the Principal Paying Agent as to the identity of such holder) to this Offering Circular and the documents incorporated therein by reference; and
- (d) in the case of a syndicated issue of listed Notes, the Subscription Agreement or Purchase Agreement (or equivalent document).

7. Consent of Independent Auditors:

KPMG PLT has given and not withdrawn their written consent to the reproduction of their audit report dated February 25, 2021 on the published consolidated and unconsolidated financial statements of PETRONAS as at December 31, 2019 and 2020, and for each of the years in the three-year period ended December 31, 2020, included in this Offering Circular and with references to KPMG PLT in the form and context in which they appear herein. A written consent made under the Capital Markets and Services Act, 2007 of Malaysia is different from a consent filed with the U.S. Securities and Exchange Commission under Section 7 of the Securities Act, which is applicable only

to transactions involving securities registered under the Securities Act. As the offering of our securities in this Global Medium Term Note Program will not be registered under the Securities Act, KPMG PLT has not filed a consent under Section 7 of the Securities Act.

8. Clearing Systems:

Each of the Issuers may make applications to Clearstream and/or Euroclear for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The appropriate Common Code and ISIN for each Tranche of Bearer Notes allocated by Euroclear and Clearstream will be specified in the applicable Pricing Supplement. In addition, the Issuer may make an application for any Notes in registered form to be accepted or eligible for trading in book-entry form by DTC, CDS or the common depositary for Euroclear and Clearstream, as applicable. The CUSIP and/or CINS numbers (if any) for each Tranche of Registered Notes, together with the relevant ISIN and Common Code, will be specified in the applicable Pricing Supplement. If the Notes are to be cleared through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

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References in the following financial statements and notes thereto to the “Group” are to PETRONAS and its consolidated subsidiaries and those references to the “Company” are to PETRONAS only.



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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PETROLIAM NASIONAL BERHAD

(Company No. 197401002911 (20076-K))
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated statements of financial position of Petroliam Nasional Berhad ("the Company") and its subsidiaries ("the Group") as at 31 December 2019 and 2020, and the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for each of the years ended 31 December 2018, 2019 and 2020, and the related unconsolidated (Company) statements of profit or loss and other comprehensive income, changes in equity and cash flows for each of the years ended 31 December 2018, 2019 and 2020, and a summary of significant accounting policies and other explanatory notes, as set out on pages F-5 to F-179.

In our opinion, the accompanying financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and 2020, and of their financial performance and cash flows for each of the years ended 31 December 2018, 2019 and 2020 and the unconsolidated (Company) financial position as at 31 December 2019 and 2020, and of its financial performance and cash flows for each of the years ended 31 December 2018, 2019 and 2020, in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



**Auditors' Responsibilities for the Audit of the Financial Statements
(continued)**

- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Petaling Jaya, Malaysia

Date: 25 February 2021

PETROLIAM NASIONAL BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 AND 2020**

<i>In RM Mil</i>	Note	2019	2020
ASSETS			
Property, plant and equipment	3	319,204	291,717
Investment properties	4	8,714	10,468
Land held for development	5	2,994	2,986
Investments in associates	7	6,746	5,755
Investments in joint ventures	8	9,156	6,844
Intangible assets	9	26,260	20,044
Long-term receivables	10	20,383	21,232
Fund and other investments	11	1,929	1,009
Deferred tax assets	13	20,573	20,622
TOTAL NON-CURRENT ASSETS		<u>415,959</u>	<u>380,677</u>
Trade and other inventories	14	14,447	12,491
Trade and other receivables	15	41,285	40,583
Assets classified as held for sale	16	398	18
Fund and other investments	11	8,710	9,779
Cash and cash equivalents	17	141,622	130,523
TOTAL CURRENT ASSETS		<u>206,462</u>	<u>193,394</u>
TOTAL ASSETS		<u>622,421</u>	<u>574,071</u>

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 AND 2020**

(continued)

<i>In RM Mil</i>	Note	2019	2020
EQUITY			
Share capital	18	100	100
Reserves	19	388,996	330,521
Total equity attributable to shareholders of the Company		389,096	330,621
Non-controlling interests	20	49,819	50,413
TOTAL EQUITY		438,915	381,034
 LIABILITIES			
Borrowings	21	53,422	76,808
Deferred tax liabilities	13	12,598	8,455
Other long-term liabilities and provisions	23	44,486	51,056
TOTAL NON-CURRENT LIABILITIES		110,506	136,319
 Trade and other payables	24	53,968	43,728
Borrowings	21	15,316	11,421
Taxation		3,716	1,569
TOTAL CURRENT LIABILITIES		73,000	56,718
TOTAL LIABILITIES		183,506	193,037
TOTAL EQUITY AND LIABILITIES		622,421	574,071

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR EACH OF THE
THREE YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020**

<i>In RM Mil</i>	Note	2018	2019	2020
Revenue	25	250,976	240,263	178,741
Cost of revenue		(158,080)	(155,926)	(134,958)
Gross profit		<u>92,896</u>	<u>84,337</u>	<u>43,783</u>
Selling and distribution expenses		(7,022)	(7,536)	(8,174)
Administration expenses		(12,139)	(12,862)	(9,675)
Net impairment write-back/(losses)/(write-off) ¹		4,753	(7,151)	(32,681)
Other expenses		(2,563)	(2,261)	(5,871)
Other income		4,828	5,158	4,102
Operating profit/(loss)	26	<u>80,753</u>	<u>59,685</u>	<u>(8,516)</u>
Financing costs	27	(4,707)	(3,734)	(4,133)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures		684	1,019	328
Profit/(Loss) before taxation		<u>76,730</u>	<u>56,970</u>	<u>(12,321)</u>
Tax expense	28	(21,420)	(16,498)	(8,708)
Profit/(Loss) for the year		<u>55,310</u>	<u>40,472</u>	<u>(21,029)</u>
Other comprehensive (loss)/income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net changes in fair value of equity investments at fair value through other comprehensive income ("OCI")		(140)	(3)	13
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movements from exchange differences		465	(1,286)	(452)
Others		(373)	(62)	(1,419)
Total other comprehensive loss for the year, net of tax		<u>(48)</u>	<u>(1,351)</u>	<u>(1,858)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>55,262</u>	<u>39,121</u>	<u>(22,887)</u>

¹ Includes certain amount relating to loss on remeasurement of finance lease receivables.

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR EACH OF THE
THREE YEARS ENDED 31 DECEMBER 2018, 2019 AND 2020**

(continued)

<i>In RM Mil</i>	Note	2018	2019	2020
Profit/(Loss) attributable to:				
Shareholders of the Company		47,865	33,021	(23,851)
Non-controlling interests		7,445	7,451	2,822
PROFIT/(LOSS) FOR THE YEAR		<u>55,310</u>	<u>40,472</u>	<u>(21,029)</u>
Total comprehensive income/(loss) attributable to:				
Shareholders of the Company		47,546	32,005	(25,019)
Non-controlling interests		7,716	7,116	2,132
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>55,262</u>	<u>39,121</u>	<u>(22,887)</u>

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR EACH OF THE THREE YEARS ENDED
31 DECEMBER 2018, 2019 AND 2020**

		<i>Attributable to shareholders of the Company</i>				
		<i>Non-distributable</i>				
<i>In RM Mil</i>	Note	Share Capital	Capital Reserves	Foreign Currency Translation Reserve	Available-for-sale-Reserve	Fair Value through OCI Reserve
Balance at 1 January 2018						
- As previously reported		100	14,425	31,267	1,275	—
- Effect of the adoption of MFRS 9	42	—	—	—	(1,275)	65
At 1 January 2018, restated		100	14,425	31,267	—	65
Net movements from exchange differences		—	—	218	—	—
Net changes of equity investments at fair value through OCI:		—	—	—	—	—
- Changes in fair value		—	—	—	—	(140)
Other comprehensive (loss)/income		—	(397)	—	—	—
Total other comprehensive (loss)/income for the year, net of tax		—	(397)	218	—	(140)
Profit for the year		—	—	—	—	—
Total comprehensive (loss)/income for the year		—	(397)	218	—	(140)
Additional issuance of shares to non-controlling interests		—	—	—	—	—
Changes in ownership interest in subsidiaries		—	—	(78)	—	—
Disposal of subsidiaries		—	—	(162)	—	—
Redemption of redeemable preference shares in subsidiaries		—	163	—	—	—
Dividends	29	—	—	—	—	—
Total transactions with owners of the Group		—	163	(240)	—	—
Balance at 31 December 2018		100	14,191	31,245	—	(75)

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PETROLIAM NASIONAL BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR EACH OF THE THREE YEARS ENDED****31 DECEMBER 2018, 2019 AND 2020**

(continued)

<i>In RM Mil</i>	<i>Note</i>	<i>Attributable to shareholders of the Company</i>		<i>Total</i>	<i>Non- controlling Interests</i>	<i>Total Equity</i>
		<i>General Reserve</i>	<i>Retained Profits</i>			
		<i>Distributable</i>				
Balance at 1 January 2018						
- As previously reported		12,000	330,727	389,794	43,041	432,835
- Effect of the adoption of MFRS 9	42	—	769	(441)	(61)	(502)
At 1 January 2018, restated		12,000	331,496	389,353	42,980	432,333
Net movements from exchange differences		—	—	218	247	465
Net changes of equity investments at fair value through OCI:						
- Changes in fair value		—	—	(140)	—	(140)
Other comprehensive (loss)/ income		—	—	(397)	24	(373)
Total other comprehensive (loss)/income for the year, net of tax		—	—	(319)	271	(48)
Profit for the year		—	47,865	47,865	7,445	55,310
Total comprehensive (loss)/ income for the year		—	47,865	47,546	7,716	55,262
Additional issuance of shares to non-controlling interests		—	—	—	21	21
Changes in ownership interest in subsidiaries		—	(188)	(266)	67	(199)
Disposal of subsidiaries		—	—	(162)	—	(162)
Redemption of redeemable preference shares in subsidiaries		—	(163)	—	(5)	(5)
Dividends	29	—	(56,000)	(56,000)	(5,998)	(61,998)
Total transactions with owners of the Group		—	(56,351)	(56,428)	(5,915)	(62,343)
Balance at 31 December 2018		12,000	323,010	380,471	44,781	425,252

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The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR EACH OF THE THREE YEARS ENDED****31 DECEMBER 2018, 2019 AND 2020**

(continued)

<i>In RM Mil</i>	<i>Note</i>	<i>Attributable to shareholders of the Company</i>			
		<i>Non-distributable</i>			<i>Fair Value through OCI Reserve</i>
		<i>Share Capital</i>	<i>Capital and Other Reserves</i>	<i>Foreign Currency Translation Reserve</i>	
Balance at 1 January 2019					
- As previously reported		100	14,191	31,245	(75)
- Effect of the adoption of MFRS 16	42	—	—	—	—
At 1 January 2019, restated		100	14,191	31,245	(75)
Net movements from exchange differences		—	(5)	(854)	—
Net changes of equity investments at fair value through OCI:					
- Changes in fair value		—	—	—	(3)
Other comprehensive (loss)/ income		—	(154)	—	—
Total other comprehensive loss for the year, net of tax		—	(159)	(854)	(3)
Profit for the year		—	—	—	—
Total comprehensive (loss)/ income for the year		—	(159)	(854)	(3)
Changes in ownership interest in subsidiaries		—	—	(117)	—
Disposal of subsidiaries		—	—	(260)	—
Redemption of redeemable preference shares in subsidiaries		—	477	—	—
Dividend	29	—	—	—	—
Total transactions with owners of the Group		—	477	(377)	—
Balance at 31 December 2019		100	14,509	30,014	(78)

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PETROLIAM NASIONAL BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR EACH OF THE THREE YEARS ENDED****31 DECEMBER 2018, 2019 AND 2020**

(continued)

<i>In RM Mil</i>	<i>Note</i>	<i>Attributable to shareholders of the Company</i>		<i>Total</i>	<i>Non- controlling Interests</i>	<i>Total Equity</i>
		<i>General Reserve</i>	<i>Retained Profits</i>			
		<i>Distributable</i>				
Balance at 1 January 2019						
- As previously reported		12,000	323,010	380,471	44,781	425,252
- Effect of the adoption of MFRS 16	42	—	(1,542)	(1,542)	(172)	(1,714)
At 1 January 2019, restated		12,000	321,468	378,929	44,609	423,538
Net movements from exchange differences		—	—	(859)	(427)	(1,286)
Net changes of equity investments at fair value through OCI:						
- Changes in fair value		—	—	(3)	—	(3)
Other comprehensive (loss)/ income		—	—	(154)	92	(62)
Total other comprehensive loss for the year, net of tax		—	—	(1,016)	(335)	(1,351)
Profit for the year		—	33,021	33,021	7,451	40,472
Total comprehensive (loss)/ income for the year		—	33,021	32,005	7,116	39,121
Changes in ownership interest in subsidiaries		—	2,539	2,422	3,805	6,227
Disposal of subsidiaries		—	—	(260)	—	(260)
Redemption of redeemable preference shares in subsidiaries		—	(477)	—	(73)	(73)
Dividends	29	—	(24,000)	(24,000)	(5,638)	(29,638)
Total transactions with owners of the Group		—	(21,938)	(21,838)	(1,906)	(23,744)
Balance at 31 December 2019		12,000	332,551	389,096	49,819	438,915

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The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR EACH OF THE THREE YEARS ENDED****31 DECEMBER 2018, 2019 AND 2020**

(continued)

		<i>Attributable to shareholders of the Company</i>			
		<i>Non-distributable</i>			
<i>In RM Mil</i>	Note	Share Capital	Capital and Other Reserves	Foreign Currency Translation Reserve	Fair Value through OCI Reserve
Balance at 1 January 2020		100	14,509	30,014	(78)
Net movements from exchange differences		—	—	184	—
Net changes of equity investments at fair value through OCI:					
- Changes in fair value		—	—	—	13
Other comprehensive loss		—	(1,365)	—	—
Total other comprehensive (loss)/ income for the year, net of tax		—	(1,365)	184	13
(Loss)/Profit for the year		—	—	—	—
Total comprehensive (loss)/ income for the year		—	(1,365)	184	13
Changes in ownership interest in subsidiaries		—	—	359	—
Acquisition of a subsidiary		—	—	—	—
Redemption of redeemable preference shares in subsidiaries		—	1,320	—	—
Dividends	29	—	—	—	—
Total transactions with owners of the Group		—	1,320	359	—
Balance at 31 December 2020		100	14,464	30,557	(65)

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PETROLIAM NASIONAL BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR EACH OF THE THREE YEARS ENDED****31 DECEMBER 2018, 2019 AND 2020**

(continued)

		Attributable to shareholders of the Company			Non- controlling Interests	Total Equity
		Distributable				
In RM Mil	Note	General Reserve	Retained Profits	Total		
Balance at 1 January 2020		12,000	332,551	389,096	49,819	438,915
Net movements from exchange differences		—	—	184	(636)	(452)
Net changes of equity investments at fair value through OCI:						
- Changes in fair value		—	—	13	—	13
Other comprehensive loss		—	—	(1,365)	(54)	(1,419)
Total other comprehensive (loss)/income for the year, net of tax		—	—	(1,168)	(690)	(1,858)
(Loss)/Profit for the year		—	(23,851)	(23,851)	2,822	(21,029)
Total comprehensive (loss)/income for the year		—	(23,851)	(25,019)	2,132	(22,887)
Changes in ownership interest in subsidiaries		—	185	544	2,533	3,077
Acquisition of a subsidiary		—	—	—	632	632
Redemption of redeemable preference shares in subsidiaries		—	(1,320)	—	—	—
Dividends	29	—	(34,000)	(34,000)	(4,703)	(38,703)
Total transactions with owners of the Group		—	(35,135)	(33,456)	(1,538)	(34,994)
Balance at 31 December 2020		12,000	273,565	330,621	50,413	381,034

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The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS ENDED
31 DECEMBER 2018, 2019 AND 2020**

<i>In RM Mil</i>	Note	2018	2019	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation		76,730	56,970	(12,321)
Adjustments for:				
Depreciation of property, plant and equipment and investment properties		31,324	35,900	34,580
Amortisation of intangible assets, prepaid lease payments and contract costs		3,003	2,778	1,446
Net change in contract liabilities		(89)	(422)	(481)
Net impairment (write-back)/losses on:				
- Property, plant and equipment and investment properties		(3,331)	6,539	25,714
- Intangible assets		20	204	5,648
- Loan and advances to joint ventures		101	62	71
- Receivables		(1,592)	69	(37)
- Investment in an associate		65	230	151
- Other investments		4	251	—
Gain on bargain purchase		—	—	(247)
Net impairment/write-off on well costs		653	1,248	2,246
Net inventories written down to net realisable value/ written off		108	35	37
Write-off of trade receivables and loss on remeasurement of finance lease receivables		—	—	846
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures		(684)	(1,019)	(328)
Property, plant and equipment written off		95	136	234
Net gain on disposal of investments in subsidiaries, a joint venture, other investments and property, plant and equipment		(1,487)	(393)	(388)
Bad debts written off		16	18	65
Intangible assets written off		—	—	20
Net loss on derivatives		31	64	275
Unrealised loss/(gain) on foreign exchange		1,082	392	(6)
Interest income		(6,509)	(6,889)	(4,838)
Financing costs		4,707	3,734	4,133
Net change in provisions		11,608	(1,395)	769
Other non-cash items		—	—	(70)
Operating profit before changes in working capital		115,855	98,512	57,519

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PETROLIAM NASIONAL BERHAD

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS ENDED****31 DECEMBER 2018, 2019 AND 2020**

(continued)

<i>In RM Mil</i>	Note	2018	2019	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
(continued)				
Operating profit before changes in working capital				
(continued)		115,855	98,512	57,519
Change in trade and other receivables		(7,002)	9,230	2,732
Change in trade inventories		456	57	1,956
Change in trade and other payables		(3,243)	(902)	(8,885)
Cash generated from operations		<u>106,066</u>	<u>106,897</u>	<u>53,322</u>
Interest income from fund and other investments		6,509	6,889	4,838
Interest expenses paid		(2,967)	(2,990)	(2,689)
Taxation paid, net of refund		<u>(23,288)</u>	<u>(20,025)</u>	<u>(14,726)</u>
Net cash generated from operating activities		<u>86,320</u>	<u>90,771</u>	<u>40,745</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash used in investing activities	30	<u>(41,129)</u>	<u>(52,177)</u>	<u>(32,914)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Net cash used in financing activities	31	<u>(2,162)</u>	<u>(69,880)</u>	<u>(17,467)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		43,029	(31,286)	(9,636)
INCREASE IN CASH AND CASH EQUIVALENTS RESTRICTED		(39)	(699)	(298)
NET FOREIGN EXCHANGE DIFFERENCES		1,904	(622)	(1,752)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>127,564</u>	<u>172,458</u>	<u>139,851</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>172,458</u>	<u>139,851</u>	<u>128,165</u>
CASH AND CASH EQUIVALENTS				
Cash and bank balances and deposits	17	173,576	141,622	130,523
Bank overdrafts	21	<u>(455)</u>	<u>(409)</u>	<u>(698)</u>
		173,121	141,213	129,825
Less: Cash and cash equivalents restricted	17	<u>(663)</u>	<u>(1,362)</u>	<u>(1,660)</u>
		<u>172,458</u>	<u>139,851</u>	<u>128,165</u>

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The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD

(Incorporated in Malaysia)

**UNCONSOLIDATED (COMPANY) STATEMENTS OF FINANCIAL
POSITION AS AT 31 DECEMBER 2019 AND 2020**

<i>In RM Mil</i>	Note	2019	2020
ASSETS			
Property, plant and equipment	3	17,756	19,400
Investments in subsidiaries	6	153,229	155,496
Investments in associates	7	302	302
Investments in joint ventures	8	992	843
Intangible assets	9	—	36
Long-term receivables	10	121,831	120,429
Fund and other investments	11	1,050	393
Deferred tax assets	13	9,927	6,443
TOTAL NON-CURRENT ASSETS		305,087	303,342
Trade and other inventories	14	173	22
Trade and other receivables	15	19,231	14,310
Fund and other investments	11	3,992	5,072
Cash and cash equivalents	17	55,961	54,111
TOTAL CURRENT ASSETS		79,357	73,515
TOTAL ASSETS		384,444	376,857
EQUITY			
Share capital	18	100	100
Reserves	19	299,684	274,394
TOTAL EQUITY		299,784	274,494
LIABILITIES			
Borrowings	21	25,788	52,282
Other long-term liabilities and provisions	23	34,309	36,806
TOTAL NON-CURRENT LIABILITIES		60,097	89,088
Trade and other payables	24	17,416	11,954
Borrowings	21	5,465	572
Taxation		1,682	749
TOTAL CURRENT LIABILITIES		24,563	13,275
TOTAL LIABILITIES		84,660	102,363
TOTAL EQUITY AND LIABILITIES		384,444	376,857

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD

(Incorporated in Malaysia)

**UNCONSOLIDATED (COMPANY) STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR EACH OF THE
THREE YEAR ENDED 31 DECEMBER 2018, 2019 AND 2020**

<i>In RM Mil</i>	Note	2018	2019	2020
Revenue	25	130,820	121,202	73,460
Cost of revenue		(74,312)	(72,032)	(51,264)
Gross profit		<u>56,508</u>	<u>49,170</u>	<u>22,196</u>
Selling and distribution expenses		(467)	(501)	(437)
Administration expenses		(5,622)	(6,409)	(4,650)
Net impairment losses		(409)	(2,786)	(2,483)
Other expenses		(259)	(989)	(2,830)
Other income		<u>10,311</u>	<u>15,416</u>	<u>9,394</u>
Operating profit	26	<u>60,062</u>	<u>53,901</u>	<u>21,190</u>
Financing costs	27	<u>(3,018)</u>	<u>(4,449)</u>	<u>(3,535)</u>
Profit before taxation		<u>57,044</u>	<u>49,452</u>	<u>17,655</u>
Tax expense	28	<u>(6,046)</u>	<u>(7,858)</u>	<u>(8,945)</u>
PROFIT FOR THE YEAR REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>50,998</u>	<u>41,594</u>	<u>8,710</u>

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD

(Incorporated in Malaysia)

**UNCONSOLIDATED (COMPANY) STATEMENTS OF CHANGES IN
EQUITY FOR EACH OF THE THREE YEARS ENDED
31 DECEMBER 2018, 2019 AND 2020**

<i>In RM Mil</i>	Note	<i>Non-distributable</i>		<i>Distributable</i>		Total Equity
		Share Capital	Available- for-sale- Reserve	General Reserve	Retained Profits	
Balance at 1 January 2018						
- As previously reported		100	10	12,000	276,612	288,722
- Effect of the adoption of MFRS 9	42	—	(10)	—	(227)	(237)
At 1 January 2018, restated		100	—	12,000	276,385	288,485
Profit for the year		—	—	—	50,998	50,998
Total comprehensive income for the year		—	—	—	50,998	50,998
Dividends representing transaction with owners of the Company	29	—	—	—	(56,000)	(56,000)
Balance at 31 December 2018		100	—	12,000	271,383	283,483
Balance at 1 January 2019						
- As previously reported		100	—	12,000	271,383	283,483
- Effect of the adoption of MFRS 16	42	—	—	—	(1,293)	(1,293)
At 1 January 2020, restated		100	—	12,000	270,090	282,190
Profit for the year		—	—	—	41,594	41,594
Total comprehensive income for the year		—	—	—	41,594	41,594
Dividend representing transaction with owners of the Company	29	—	—	—	(24,000)	(24,000)
Balance at 31 December 2019		100	—	12,000	287,684	299,784
Balance at 1 January 2020		100	—	12,000	287,684	299,784
Profit for the year		—	—	—	8,710	8,710
Total comprehensive income for the year		—	—	—	8,710	8,710
Dividends representing transaction with owners of the Company	29	—	—	—	(34,000)	(34,000)
Balance at 31 December 2020		100	—	12,000	262,394	274,494

The accompanying notes form an integral part of these financial statements.

PETROLIAM NASIONAL BERHAD

(Incorporated in Malaysia)

**UNCONSOLIDATED (COMPANY) STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS ENDED
31 DECEMBER 2018, 2019 AND 2020**

<i>In RM Mil</i>	Note	2018	2019	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation		57,044	49,452	17,655
Adjustments for:				
Depreciation of property, plant and equipment		2,939	3,656	2,114
Amortisation of intangible assets and contract costs		—	—	10
Loss on derivative valuation		27	97	193
Net changes in fair value of cess receivables		(3,019)	(666)	(694)
Net change in contract liabilities		(444)	(1,691)	(858)
Net impairment (write-back)/losses on:				
- Trade and other receivables		172	(93)	(13)
- Loan and advances to subsidiaries		(38)	(10)	353
- Property, plant and equipment		170	—	2,092
- Investment in subsidiaries		105	2,889	51
Net write-off on:				
- Other receivables		—	7	12
- Intangible assets		—	—	20
- Property, plant and equipment		1	—	—
Net change in provisions		(1,314)	(2,049)	(1,095)
Interest income		(7,060)	(6,739)	(5,328)
Financing costs		3,018	4,449	3,535
Gain on partial disposal of subsidiaries and other investments		(112)	(5,403)	(1,546)
Gain on disposal of property, plant and equipment		—	(430)	(2)
Net foreign exchange		384	632	1,162
Dividend income		(32,226)	(28,850)	(11,148)
Operating profit before changes in working capital		19,647	15,251	6,513
Change in trade and other receivables		(2,866)	1,745	1,561
Change in trade inventories		181	(73)	151
Change in trade and other payables		4,258	(2,129)	(5,321)
Cash generated from operations		21,220	14,794	2,904
Interest income received		6,313	6,662	5,359
Interest expenses paid		(1,819)	(1,655)	(1,856)
Taxation paid		(9,636)	(9,011)	(6,394)
Net cash generated from operating activities		16,078	10,790	13

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PETROLIAM NASIONAL BERHAD

(Incorporated in Malaysia)

**UNCONSOLIDATED (COMPANY) STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS ENDED****31 DECEMBER 2018, 2019 AND 2020****(continued)**

<i>In RM Mil</i>	Note	2018	2019	2020
CASH FLOWS FROM INVESTING ACTIVITIES				
Net cash generated from investing activities	30	<u>36,286</u>	<u>21,567</u>	<u>12,314</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Net cash used in financing activities	31	<u>(26,000)</u>	<u>(68,420)</u>	<u>(14,076)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		26,364	(36,063)	(1,749)
NET FOREIGN EXCHANGE DIFFERENCES		(106)	202	(101)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>65,564</u>	<u>91,822</u>	<u>55,961</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>91,822</u>	<u>55,961</u>	<u>54,111</u>
CASH AND CASH EQUIVALENTS				
Cash and bank balances and deposits	17	<u>91,822</u>	<u>55,961</u>	<u>54,111</u>

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The accompanying notes form an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

1.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act, 2016 in Malaysia.

Any references to MFRS in the financial statements has its equivalent IFRS/International Accounting Standards (“IAS”) as issued by International Accounting Standards Board. The numbering of the MFRS also corresponds with the equivalent IFRS. MFRS prefix with “1xx” corresponds with the equivalent IAS.

As of 1 January 2020, the Group and the Company had adopted amendments to MFRSs (“pronouncements”) that have been issued by the Malaysian Accounting Standards Board (“MASB”) as described fully in Note 41.

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 in these financial statements. These pronouncements including their impact on the financial statements in the period of initial application are set out in Note 41. Revised pronouncements that are not relevant to the operations of the Group and the Company are set out in Note 41.

These financial statements were approved and authorised for issue by the Board of Directors on 25 February 2021.

1.2 Basis of measurement

The financial statements of the Group and of the Company have been prepared on historical cost basis except for certain items are measured at fair value, as disclosed in the accounting policies below.

1.3 Functional and presentation currency

The individual financial statements of each entity in the Group are prepared using the currency of the primary economic environment in which the entity operates (“the functional currency”). The functional currency of the Company has been determined as Ringgit Malaysia (“RM”). The Group’s and the Company’s financial statements are presented in Ringgit Malaysia, which is the Company’s reporting currency.

All financial information is presented in Ringgit Malaysia and has been rounded to the nearest million, unless otherwise stated.

1. BASIS OF PREPARATION (continued)

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.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following Notes:

- (i) Note 3 : Property, plant and equipment
- (ii) Note 9 : Intangible assets
- (iii) Note 13 : Deferred tax
- (iv) Note 21 : Borrowings
- (v) Note 23 : Other long-term liabilities and provisions
- (vi) Note 25 : Revenue
- (vii) Note 28 : Tax expense
- (viii) Note 39 : 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 and the Company, 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.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of consolidation (continued)

Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group. The identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the aggregate of the fair value of the consideration transferred and the amount of any non-controlling interests in the acquiree. Non-controlling interests are stated either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

When a business combination is achieved in stages, the Group remeasures its previously held non-controlling equity interest in the acquiree at fair value at the acquisition date, with any resulting gain or loss recognised in the profit or loss. Increase in the Group's ownership interest in an existing subsidiary is accounted for as equity transactions with differences between the fair value of consideration paid and the Group's proportionate share of net assets acquired, recognised directly in equity.

The Group measures goodwill as the excess of the cost of an acquisition and the fair values 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.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented, or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain or loss is recognised directly in equity.

Non-controlling interests

Non-controlling interests at the end of the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and total comprehensive income for the year between the non-controlling interests and shareholders of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of consolidation (continued)

Loss of control

Upon loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statements of financial position except when the retained interest is a joint operation where the Group's retained interest in the assets and liabilities of the former subsidiary are not derecognised. 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 except when the retained interest is a joint operation where such interest is measured at its carrying amount. Subsequently, it is accounted for as an equity-accounted investee or as a fair value through other comprehensive income financial asset depending on the level of influence retained.

2.2 Associates

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

Associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. 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 such as loans and advances) 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 the profit or loss. Any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's interest in an associate decreases but does not result in loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

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 arrangements. 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

Recognition and measurement

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, if any.

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 components 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.

Subsequent costs

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

Depreciation for property, plant and equipment other than freehold land, oil and gas properties and projects-in-progress, is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Property, plant and equipment are not depreciated until the assets are ready for their intended use.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4 Property, plant and equipment and depreciation (continued)*****Recognition and measurement (continued)******Depreciation (continued)***

Amortisation of producing oil and gas properties is computed based on the unit of production method using total proved reserves for capitalised acquisition cost, certain facilities and wells. For other capitalised exploration and development costs, facilities and wells, total proved developed reserves are used.

The estimated useful lives of the other property, plant and equipment are as follows:

• Buildings	5 – 100 years
• Plant and equipment	2 – 67 years
• Office equipment, furniture and fittings	2 – 10 years
• Computer software and hardware	2 – 7 years
• Motor vehicles	3 – 15 years
• Vessels	20 – 30 years

The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term (other than certain right-of-use assets related to oil and gas properties which are depreciated using the unit of production method based on reserve cut-off at expiry of lease contract).

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.

Derecognition

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 to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purpose. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Investment properties (continued)

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 net disposal proceeds and the carrying amount is recognised in the 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 are, 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 Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Leases (continued)

(ii) Recognition and initial measurement

(a) As a lessee

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate is used. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Company are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Company are reasonably certain not to early terminate the contract.

The Group and the Company exclude variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Company assess at lease commencement whether it is reasonably certain to exercise the extension options in determining the lease term.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group and the Company present right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'borrowings' in the statement of financial position.

The accounting for MFRS 16 *Leases* in joint operation depends on whether the Group is the operator or non-operator of a joint arrangement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Leases (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

Where the Group is an operator and is the sole signatory to a lease contract of an asset to be used in the activities of a specific joint operation, the operator does so implicitly or explicitly on behalf of the joint arrangement. As is the customary norm in upstream activities operated through joint arrangements, the operator will manage the lease, pay the lessor and subsequently re-bill the partners for their share of the lease costs. In such instances, it is necessary to determine whether:

- the operator is the sole lessee in the external lease arrangement, and if so, whether the billings to partners may represent sub-leases; or
- it is in fact the joint arrangement, which the lessee and other participants account for its proportionate share of the lease.

Where the Group is a non-operator, it is necessary to determine whether the finance sub-lease exists in the lease arrangement.

Depending on the facts and circumstances in each case, the Group recognises the lease liabilities based on the principles described below.

The Group as the operator of a joint operation

Where all partners in a joint operation are sharing the primary responsibility for lease payments under a contract, the related lease liability and right-of-use asset will be recognised net by the Group, on the basis of the Group's participation interest in the joint operation.

The Group will recognise a lease liability fully when it has or considered having the primary responsibility for the full external lease payments. When a finance sub-lease exists between the Group and the non-operators, the Group will derecognise a portion of the right-of-use asset equal to the non-operator's interests in the lease, and instead recognise a corresponding finance lease receivable. A finance sub-lease will typically exist when the Group enters into a contract in its own name, where it has the primary responsibility for the external lease payments, and the leased asset is to be used on one specific joint operation, and the costs and risks related to the use of this asset are carried by that specific joint operation.

Where the use of the leased asset on a joint operation is not considered a finance sub-lease, the Group will recognise the related right-of-use asset and lease liability on a gross basis. Expenses which are not included in a recognised lease obligation, such as payments for short-term leases, non-lease components and variable lease payments will continue to be reported net in the Group's statement of profit or loss, on the basis of the Group's net participation interest.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Leases (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

The Group as a non-operator of a joint operation

As a non-operator of a joint operation, the Group will recognise its proportionate share of a lease when the Group shares the primary responsibility for lease payments under a contract. This includes contracts where the Group has co-signed a lease contract and contracts for which the operator has been given a legally binding mandate to sign the external lease contract on behalf of the licence partners.

The Group will also recognise its proportionate share when a lease contract is entered by the operator of a joint operation, and where the operator's use of the leased asset represents a sub-lease from the operator to the non-operators. A sub-lease is considered to take place in situations where the operator agrees with the non-operators for a specified period of time, and where the use of the asset is deemed to be controlled jointly by the joint operation.

(b) As a lessor

When the Group and the Company act as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Group and the Company recognise assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Company use the interest rate implicit in the lease to measure the net investment in the lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.7 Leases (continued)****(iii) Subsequent measurement****(a) As a lessee**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term (other than certain right-of-use assets related to oil and gas properties which are depreciated using the unit of production method based on reserve cut-off at expiry of lease contract). The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Depreciation of certain right-of-use assets are subsequently capitalised into carrying amount of other assets whenever they meet the criteria for capitalisation. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Company change its assessment of whether it will exercise a purchase, extension or termination option. The Group will reassess whether it is reasonably certain to exercise the extension option if there is a significant change in circumstances within its control.

When the lease liability is remeasured as described in the above paragraph, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

When there is lease modification due to increase in the scope of lease by adding the right-to-use one or more underlying assets, the Group and the Company assess whether the lease modification shall be accounted for as a separate lease or similar to reassessment of lease liability. The Group and the Company account for lease modification as a separate lease when the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments.

When there is lease modification due to decrease in scope, the Group and the Company decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease. The corresponding gain or loss shall be recognised in profit or loss. Lease liabilities are remeasured for all other lease modifications with corresponding adjustments to the right-of-use asset.

(b) As a lessor

The Group and the Company recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

The Group and the Company recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's and the Company's net investment in the lease. The Group and the Company aim to allocate finance income over the lease term on a systematic and rational basis. The Group and the Company apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9 *Financial Instruments* (see Note 2.12).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, which is calculated based on entitlement of production for the period, and estimated entitlement for the remaining life of the asset.

For the Development and Production Service Contracts ("DPSC") assets, the Group amortises through the unit of production method, which is calculated based on entitlement of production for the period over the entitlement of production for the period and estimated entitlement for the remaining life of the DPSC.

Estimates are made in relation to expected entitlement of production which are based on the actual cost incurred but yet to be recovered and application of the prevailing crude oil price. 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 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 or the cost of undeveloped land that expires, such costs are impaired or written off. 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. Such 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 impaired or 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 and depreciation (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.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no impairment loss is allocated to inventories, contract assets, contract costs, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment 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

Recognition and initial measurement

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.

Regular way purchases or sales were recognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the financial asset.

A financial asset (unless it is a receivable without a significant financing component) and a financial liability is measured at fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, any directly attributable transaction cost incurred at the acquisition or issuance of the financial instrument. A receivable that does not contain a significant financing component is initially measured at the transaction price.

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.

Classification and subsequent measurement

(i) Financial assets

Financial assets are classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"), as appropriate.

The Group and the Company determine the classification of financial assets at initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss.

Subsequent measurement

Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method (Note 2.12 (v)). Interest income and foreign exchange gains and losses are recognised in profit or loss.

Fair value through other comprehensive income

Debt instruments

This category comprises debt instruments where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt instruments are not designated as at fair value through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

Classification and subsequent measurement (continued)

(i) Financial assets (continued)

Fair value through other comprehensive income (continued)

Equity instruments

Fair value through other comprehensive income category also comprises investment in equity that are not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Subsequent measurement

Financial assets categorised as fair value through other comprehensive income are subsequently measured at fair value with unrealised gains and losses recognised directly in other comprehensive income and accumulated under fair value through other comprehensive income reserve in equity. For debt instruments, when the investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is reclassified to the profit or loss. For equity instruments, the gains or losses accumulated in other comprehensive income are never reclassified to profit or loss.

Fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a financial guarantee contract as per Note 2.12 (iii)). On initial recognition, the Group and the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement

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.

(ii) Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

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), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

Classification and subsequent measurement (continued)

(ii) Financial liabilities (continued)

Fair value through profit or loss (continued)

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the Group's key management personnel; or
- c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9 *Financial Instruments*, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

Amortised cost

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method (see Note 2.12 (v)).

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

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15 *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

Classification and subsequent measurement (continued)

(iv) Derivative financial instruments

The Group and the Company use derivative financial instruments such as interest rate and foreign currency swaps, forward rate contracts, futures and options, to manage certain exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains and losses arising from changes in fair value on derivatives during the year are recognised in the profit or loss.

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.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(v) Effective interest method

Amortised cost was computed using the effective interest method. This method used 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.

(vi) 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.

(vii) Amortised cost of financial instruments

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2.13 (i)) where effective interest rate is applied to the amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

Classification and subsequent measurement (continued)

(viii) Derecognition of financial instruments

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or, the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement without retaining control of the asset or substantially all the risks and rewards of the asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss, except for equity investments at fair value through other comprehensive income where the gain or loss are recognised in other comprehensive income.

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, contract assets and finance lease receivables

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and finance lease receivables.

The Group and the Company measure loss allowances on debt securities and cash and cash equivalent at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, other debt securities for which credit risk has not increased significantly since initial recognition and finance lease receivables, which are measured as 12-month expected credit loss.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information, where available.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is past due.

The Group and the Company consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Impairment (continued)

(i) Financial assets, contract assets and finance lease receivables (continued)

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, contract asset and finance lease receivables are subject to impairment (see Note 2.12(i)).

(ii) Other assets

The carrying amounts of other assets, other than inventories, 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.

For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

An impairment loss in respect of goodwill is not reversed in the 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 fair value and are used by the Group and the Company in the management of their short-term commitments. 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 Contract assets and contract liabilities

Contract assets represent the Group's and the Company's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time. Contract assets are subjected to impairment in accordance to MFRS 9 *Financial Instruments* (see Note 2.13 (i)).

Contract liabilities represent the Group's and the Company's obligation to transfer goods or services to a customer for which the Group and Company have received consideration, or the amount is due from the customer.

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.

Lifting of offtake arrangements for crude oil and condensate produced in jointly-owned operations are such that it is not practicable for each participant to receive or sell its precise share of the overall production during the period. At each reporting date, the extent of underlift is recognised as an asset at the lower of the cost and net realisable value, while overlift is recognised as a liability. The net movement in underlift and overlift is recognised in the statement of comprehensive income in cost of revenue.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Provisions, contingent liabilities and contingent assets

Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future net cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the accretion in the provision due to the passage of time is recognised as finance cost.

The amount recognised as a provision is the best estimate of the 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.

Contingent liabilities

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.

Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statement of financial position but is disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

In particular, information about provisions that have the most significant effect on the amount recognised in the financial statements is described in Note 23.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 a business combination or items recognised directly in equity, in which case it is recognised in equity or other comprehensive income.

Current tax

Current tax expense is the expected tax payable on the taxable income for the year, using the statutory tax rates at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused tax credits can be utilised.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill and the initial recognition of an asset or liability in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss.

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 the 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Foreign currency transactions (continued)

Gains and losses on exchange arising from retranslation are recognised in the profit or loss, except for differences arising on the retranslation of equity instruments at FVOCI, which are recognised in equity and are never reclassified to profit or loss.

On consolidation, the assets and liabilities of subsidiaries with functional currencies other than Ringgit Malaysia, are translated into Ringgit Malaysia at the exchange rates ruling at 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 exchange rates at the dates of the transactions or an average rate that approximates those rates. Foreign currency differences are recognised in other comprehensive income and accumulated in 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.

2.21 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 assets 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.

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.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific qualifying asset, in which the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowings, will be capitalised. Borrowing costs incurred subsequently to the completion of a specific qualifying asset are included in the determination of the capitalisation rate.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Revenue

Revenue from contract with customers is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group or the Company recognises revenue when or as it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- (b) the entity's performance creates or enhances an asset (for example, work-in-progress) that the customer controls as the asset is created or enhanced; or
- (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time in accordance with the above criteria, an entity satisfies the performance obligation and recognises revenue at a point in time.

Revenue arising from shipping activities is 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 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 2.7.

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.

Revenue arising from gas trading activities, where forward and future sale and purchase contracts for gas have been determined to be for trading purposes, the associated sales and purchases are reported net within sales.

2.23 Financing costs

Financing costs comprise interest payable on borrowings and profit sharing margin on Islamic Financing Facilities, as well as accretion in provision due to the passage of time.

All interest and other costs incurred in connection with borrowings are expensed as incurred, other than that capitalised in accordance with the accounting policy stated in Note 2.21. The interest component of finance lease payments is accounted for in accordance with the policy set out in Note 2.7.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Operating segments

An operating segment is a component of the Group and the Company 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 and the Company'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 Leadership Team, to make decisions about resources to be allocated to the segment and to assess its performance.

2.25 Fair value measurement

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 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 fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

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.

2.26 Government grants

Government grants related to assets, including non-monetary grants at fair value, are deducted against the construction cost of the assets. Subsequently, the grants are recognised in profit or loss on a systematic basis over the life of the asset as a reduced depreciation expense.

3. PROPERTY, PLANT AND EQUIPMENT

Group 2019 <i>In RM Mil</i>	At 31.12.2018, as previously reported	Effect of adoption of MFRS 16	At 1.1.2019 as restated	Additions	Disposals/ write-offs
At cost:					
<u>Own use</u>					
Freehold land	2,620	—	2,620	33	(4)
Leasehold land	7,307	(7,307)	—	—	—
Lease properties	1,256	(1,256)	—	—	—
Oil and gas properties	338,940	—	338,940	7,210	(3,285)
Buildings	19,542	—	19,542	128	(106)
Plant and equipment	155,365	(2,718)	152,647	1,020	(1,034)
Office equipment, furniture and fittings	3,615	—	3,615	80	(99)
Computer software and hardware	4,200	—	4,200	152	(68)
Motor vehicles	497	(29)	468	25	(47)
Vessels	43,839	(32,572)	11,267	16	—
Projects-in-progress					
- oil and gas properties	25,794	—	25,794	11,644	(458)
- other projects	43,848	(50)	43,798	19,322	(153)
	646,823	(43,932)	602,891	39,630	(5,254)
<u>Lease to others as operating lease</u>					
Buildings	—	—	—	25	—
Vessels	—	32,572	32,572	342	(455)
Plant and equipment	—	—	—	18	—
	—	32,572	32,572	385	(455)
<u>Right-of-use</u>					
Leasehold land	—	9,373	9,373	43	(23)
Lease properties	—	1,256	1,256	21	—
Oil and gas properties	—	3,757	3,757	850	—
Buildings	—	959	959	60	(9)
Plant and equipment	—	3,706	3,706	441	(2)
Office equipment, furniture and fittings	—	2	2	—	—
Computer software and hardware	—	8	8	11	—
Motor vehicles	—	76	76	59	(2)
Vessels	—	1,231	1,231	3,660	(134)
	—	20,368	20,368	5,145	(170)
	646,823	9,008	655,831	45,160	(5,879)

continue to next page

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2019 <i>In RM Mil</i>	Acquisition/ (Disposal) of subsidiaries	Transfers/ reclass/ adjustments	Translation exchange difference	At 31.12.2019
At cost:				
<u>Own use</u>				
Freehold land	—	47	(3)	2,693
Leasehold land	—	—	—	—
Lease properties	—	—	—	—
Oil and gas properties	—	10,020	(1,211)	351,674
Buildings	50	580	(19)	20,175
Plant and equipment	682	5,692	(910)	158,097
Office equipment, furniture and fittings	36	342	(5)	3,969
Computer software and hardware	3	241	27	4,555
Motor vehicles	—	27	1	474
Vessels	—	614	(306)	11,591
Projects-in-progress				
- oil and gas properties	—	(8,403)	(94)	28,483
- other projects	60	(9,942)	(638)	52,447
	831	(782)	(3,158)	634,158
<u>Lease to others as operating lease</u>				
Buildings	—	—	—	25
Vessels	—	(899)	(292)	31,268
Plant and equipment	—	—	—	18
	—	(899)	(292)	31,311
<u>Right-of-use</u>				
Leasehold land	85	(132)	(11)	9,335
Lease properties	—	3	(2)	1,278
Oil and gas properties	—	203	(210)	4,600
Buildings	(84)	—	4	930
Plant and equipment	—	—	(7)	4,138
Office equipment, furniture and fittings	—	—	—	2
Computer software and hardware	—	—	—	19
Motor vehicles	—	—	(1)	132
Vessels	—	—	(141)	4,616
	1	74	(368)	25,050
	832	^{a,b,c} (1,607)	(3,818)	690,519

continued from previous page^a Includes revision to future cost of decommissioning of oil and gas properties amounting to RM2,507 million.^b Includes net transfers out of RM4,079 million comprising transfers to assets held for sale of RM1,671 million, inventories of RM93 million, other receivables of RM2,846 million and transfer in from intangible assets of RM531 million.^c Includes reclassification of certain asset from cost to accumulated depreciation of RM35 million.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2019	At 31.12.2018, as previously reported	Effect of adoption of MFRS 16	At 1.1.2019 as restated	Charge for the year	Disposals/ write-offs
<i>In RM Mil</i>					
Accumulated depreciation and impairment losses:					
<u>Own use</u>					
Freehold land	—	—	—	—	—
Leasehold land	897	(897)	—	—	—
Lease properties	567	(567)	—	—	—
Oil and gas properties	216,878	—	216,878	22,856	(3,481)
Buildings	7,472	(6)	7,466	521	(49)
Plant and equipment	82,089	(1,409)	80,680	6,723	(827)
Office equipment, furniture and fittings	2,577	—	2,577	310	(87)
Computer software and hardware	3,277	—	3,277	394	(59)
Motor vehicles	341	(8)	333	34	(41)
Vessels	19,797	(18,520)	1,277	—	—
Projects-in-progress					
- oil and gas properties	2,532	—	2,532	—	—
- other projects	11	—	11	13	—
	336,438	(21,407)	315,031	30,851	(4,544)
<u>Lease to others as operating lease</u>					
Vessels	—	18,520	18,520	1,979	(370)
<u>Right-of-use</u>					
Leasehold land	—	1,340	1,340	170	(15)
Lease properties	—	567	567	43	—
Oil and gas properties	—	217	217	1,213	—
Buildings	—	102	102	74	—
Plant and equipment	—	1,518	1,518	444	(2)
Office equipment, furniture and fittings	—	—	—	1	—
Computer software and hardware	—	—	—	7	—
Motor vehicles	—	17	17	31	(1)
Vessels	—	—	—	696	(55)
	—	3,761	3,761	2,679	(73)
	336,438	874	337,312	35,509	(4,987)

continue to next page

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2019	Acquisition/ (Disposal) of	Impairment loss/(write- back)	Transfers/ reclass/ adjustments	Translation exchange difference	At 31.12.2019
<i>In RM Mil</i>					
Accumulated depreciation and impairment losses:					
<u>Own use</u>					
Freehold land	—	—	—	—	—
Leasehold land	—	—	—	—	—
Lease properties	—	—	—	—	—
Oil and gas properties	—	4,731	89	(1,588)	239,485
Buildings	13	131	179	(9)	8,252
Plant and equipment	68	3,792	121	(405)	90,152
Office equipment, furniture and fittings	19	—	(17)	(4)	2,798
Computer software and hardware	2	6	(18)	17	3,619
Motor vehicles	(2)	1	4	1	330
Vessels	—	—	—	—	1,277
Projects-in-progress					
- oil and gas properties	—	(2,332)	(50)	(20)	130
- other projects	—	1	—	(7)	18
	100	6,330	308	(2,015)	346,061
<u>Lease to others as operating lease</u>					
Vessels	—	148	(1,151)	(340)	18,786
<u>Right-of-use</u>					
Leasehold land	3	—	(3)	(1)	1,494
Lease properties	1	—	(69)	(2)	540
Oil and gas properties	—	—	125	10	1,565
Buildings	1	—	—	(2)	175
Plant and equipment	—	—	—	(3)	1,957
Office equipment, furniture and fittings	—	—	—	—	1
Computer software and hardware	—	—	—	—	7
Motor vehicles	—	—	—	(1)	46
Vessels	—	61	—	(19)	683
	5	61	53	(18)	6,468
	105	6,539	^{a,b} (790)	(2,373)	371,315

continued from previous page^a Includes reclassification of certain asset from cost to accumulated depreciation of RM35 million.^b Includes net transfers out of RM755 million comprising transfers to assets held for sale of RM760 million and other receivables of RM9 million and transfer in from intangible assets of RM14 million.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2020	At 1.1.2020	Additions	Disposals/ write-offs	Acquisition/ (Disposal) of subsidiaries
<i>In RM Mil</i>				
At cost:				
<u>Own use</u>				
Freehold land	2,693	6	—	—
Oil and gas properties	351,674	4,163	(1,013)	—
Buildings	20,175	742	(34)	(2)
Plant and equipment	158,097	560	(849)	(837)
Office equipment, furniture and fittings	3,969	86	(157)	—
Computer software and hardware	4,555	92	(219)	—
Motor vehicles	474	26	(27)	—
Vessels	11,591	144	(159)	—
Projects-in-progress				
- oil and gas properties	28,483	9,113	(279)	—
- other projects	52,447	16,298	(476)	—
	634,158	31,230	(3,213)	(839)
<u>Lease to others as operating lease</u>				
Buildings	25	—	—	—
Vessels	31,268	260	(783)	—
Plant and equipment	18	4	—	—
	31,311	264	(783)	—
<u>Right-of-use</u>				
Leasehold land	9,335	75	(111)	59
Lease properties	1,278	13	—	—
Oil and gas properties	4,600	167	—	—
Buildings	930	123	(15)	—
Plant and equipment	4,138	313	(15)	—
Office equipment, furniture and fittings	2	—	—	—
Computer software and hardware	19	10	(1)	—
Motor vehicles	132	20	(9)	—
Vessels	4,616	1,572	(231)	—
	25,050	2,293	(382)	59
	690,519	^a 33,787	(4,378)	(780)

continue to next page^a Includes addition to future cost of decommissioning of certain property, plant and equipment amounting to RM1,410 million.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2020	Transfers/ reclass/ adjustments	Translation exchange difference	At 31.12.2020
<i>In RM Mil</i>			
At cost:			
<u>Own use</u>			
Freehold land	—	(2)	2,697
Oil and gas properties	13,695	1,038	369,557
Buildings	1,621	(16)	22,486
Plant and equipment	14,254	(2,307)	168,918
Office equipment, furniture and fittings	200	(22)	4,076
Computer software and hardware	497	(50)	4,875
Motor vehicles	(3)	(10)	460
Vessels	—	(905)	10,671
Projects-in-progress			
- oil and gas properties	(11,209)	(55)	26,053
- other projects	(20,283)	(533)	47,453
	(1,228)	(2,862)	657,246
<u>Lease to others as operating lease</u>			
Buildings	—	—	25
Vessels	3,185	(416)	33,514
Plant and equipment	—	—	22
	3,185	(416)	33,561
<u>Right-of-use</u>			
Leasehold land	732	(71)	10,019
Lease properties	(728)	2	565
Oil and gas properties	(72)	(53)	4,642
Buildings	—	(5)	1,033
Plant and equipment	—	(116)	4,320
Office equipment, furniture and fittings	—	(2)	—
Computer software and hardware	—	—	28
Motor vehicles	(1)	(2)	140
Vessels	—	(449)	5,508
	(69)	(696)	26,255
	^{a,b,c} 1,888	(3,974)	717,062

continued from previous page^a Includes revision to future cost of decommissioning of oil and gas properties amounting to RM2,670 million.^b Includes net transfers out of RM950 million comprising transfers to assets held for sale of RM508 million, other receivables of RM751 million and transfer in from intangible assets of RM309 million.^c Includes reclassification of certain asset from accumulated depreciation to cost of RM168 million.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2020	At 1.1.2020	Charge for the year	Disposals/ write-offs	Acquisition/ (Disposal) of subsidiaries
<i>In RM Mil</i>				
Accumulated depreciation and impairment losses:				
<u>Own use</u>				
Freehold land	—	—	—	—
Oil and gas properties	239,485	20,795	(1,013)	—
Buildings	8,252	621	(29)	(2)
Plant and equipment	90,152	7,452	(782)	(794)
Office equipment, furniture and fittings	2,798	287	(143)	—
Computer software and hardware	3,619	461	(216)	—
Motor vehicles	330	29	(25)	—
Vessels	1,277	869	(146)	—
Projects-in-progress				
- oil and gas properties	130	—	—	—
- other projects	18	—	—	—
	346,061	30,514	(2,354)	(796)
<u>Lease to others as operating lease</u>				
Buildings	—	1	—	—
Vessels	18,786	1,207	(573)	—
Plant and equipment	—	2	—	—
	18,786	1,210	(573)	—
<u>Right-of-use</u>				
Leasehold land	1,494	369	(14)	3
Lease properties	540	(144)	—	—
Oil and gas properties	1,565	909	—	—
Buildings	175	128	(13)	—
Plant and equipment	1,957	371	(4)	—
Office equipment, furniture and fittings	1	—	—	—
Computer software and hardware	7	10	—	—
Motor vehicles	46	32	(9)	—
Vessels	683	912	(205)	—
	6,468	2,587	(245)	3
	371,315	34,311	(3,172)	(793)

continue to next page

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2020	Impairment loss/(write- back)	Transfers/ reclass/ adjustments	Translation exchange difference	At 31.12.2020
<i>In RM Mil</i>				
Accumulated depreciation and impairment losses:				
<u>Own use</u>				
Freehold land	—	—	—	—
Oil and gas properties	11,126	447	975	271,815
Buildings	638	(36)	(6)	9,438
Plant and equipment	6,316	(32)	(1,702)	100,610
Office equipment, furniture and fittings	3	(3)	(46)	2,896
Computer software and hardware	6	—	(46)	3,824
Motor vehicles	1	(4)	(6)	325
Vessels	179	—	(135)	2,044
Projects-in-progress				
- oil and gas properties	1,935	(97)	(101)	1,867
- other projects	5,246	—	(182)	5,082
	25,450	275	(1,249)	397,901
<u>Lease to others as operating lease</u>				
Buildings	—	—	—	1
Vessels	20	(389)	(199)	18,852
Plant and equipment	—	—	—	2
	20	(389)	(199)	18,855
<u>Right-of-use</u>				
Leasehold land	—	318	(4)	2,166
Lease properties	25	(235)	2	188
Oil and gas properties	—	—	(116)	2,358
Buildings	202	31	(15)	508
Plant and equipment	—	—	(87)	2,237
Office equipment, furniture and fittings	—	(1)	—	—
Computer software and hardware	5	—	—	22
Motor vehicles	—	2	—	71
Vessels	—	(222)	(129)	1,039
	232	(107)	(349)	8,589
	25,702	^{a,b} (221)	(1,797)	425,345

continued from previous page^a Includes transfer out to asset held for sale of RM389 million.^b Includes reclassification of certain asset from accumulated depreciation to cost of RM168 million.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2019	At 31.12.2018, as previously reported	Effect of adoption of MFRS 16	At 1.1.2019 as restated	Additions
<i>In RM Mil</i>				
At cost:				
<u>Own use</u>				
Leasehold land	295	(295)	—	—
Lease properties	74	(74)	—	—
Oil and gas properties	28,119	—	28,119	40
Buildings	207	—	207	1
Plant and equipment	1,840	(1,836)	4	—
Office equipment, furniture and fittings	95	—	95	—
Computer software and hardware	397	—	397	—
Motor vehicles	18	—	18	1
Projects-in-progress				
- oil and gas properties	174	—	174	106
- other projects	778	—	778	833
	31,997	(2,205)	29,792	981
<u>Right-of-use</u>				
Leasehold land	—	299	299	29
Lease properties	—	2,855	2,855	107
Plant and equipment	—	1,485	1,485	—
Vessels	—	4,974	4,974	—
	—	9,613	9,613	136
	31,997	7,408	39,405	1,117

continue to next page

3. PROPERTY, PLANT AND EQUIPMENT (continued)**Company
2019***In RM Mil***At cost:**Own use

	Disposals/ write-offs	Transfers/ reclass/ adjustments	At 31.12.2019
Leasehold land	—	—	—
Lease properties	—	—	—
Oil and gas properties	—	1,062	29,221
Buildings	—	69	277
Plant and equipment	—	—	4
Office equipment, furniture and fittings	(8)	—	87
Computer software and hardware	(22)	64	439
Motor vehicles	(4)	—	15
Projects-in-progress			
- oil and gas properties	—	(15)	265
- other projects	—	(520)	1,091
	(34)	660	31,399

Right-of-use

Leasehold land	(4)	(2)	322
Lease properties	—	—	2,962
Plant and equipment	—	—	1,485
Vessels	(4,974)	—	—
	(4,978)	(2)	4,769
	(5,012)	^a 658	36,168

continued from previous page

^a Includes revision to future cost of decommissioning of oil and gas properties amounting to RM787 million and transfer to subsidiaries of RM129 million.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2019 <i>In RM Mil</i>	At 31.12.2018, as previously reported	Effect of adoption of MFRS 16	At 1.1.2019 as restated	Charge for the year
Accumulated depreciation and impairment losses:				
<u>Own use</u>				
Leasehold land	26	(26)	—	—
Lease properties	72	(72)	—	—
Oil and gas properties	14,562	—	14,562	2,176
Buildings	41	—	41	5
Plant and equipment	514	(510)	4	—
Office equipment, furniture and fittings	89	—	89	1
Computer software and hardware	324	—	324	40
Motor vehicles	16	—	16	1
Projects-in-progress				
- oil and gas properties	—	—	—	—
- other projects	—	—	—	—
	15,644	(608)	15,036	2,223
<u>Right-of-use</u>				
Leasehold land	—	26	26	5
Lease properties	—	72	72	356
Plant and equipment	—	510	510	219
Vessels	—	—	—	853
	—	608	608	1,433
	15,644	—	15,644	3,656

continue to next page

3. PROPERTY, PLANT AND EQUIPMENT (continued)

**Company
2019**

In RM Mil

**Accumulated depreciation and
impairment losses:**

Own use

	Disposals/ write-offs	At 31.12.2019
Leasehold land	—	—
Lease properties	—	—
Oil and gas properties	—	16,738
Buildings	—	46
Plant and equipment	—	4
Office equipment, furniture and fittings	(8)	82
Computer software and hardware	(22)	342
Motor vehicles	(4)	13
Projects-in-progress		
- oil and gas properties	—	—
- other projects	—	—
	(34)	17,225

Right-of-use

Leasehold land	(1)	30
Lease properties	—	428
Plant and equipment	—	729
Vessels	(853)	—
	(854)	1,187
	(888)	18,412

continued from previous page

3. PROPERTY, PLANT AND EQUIPMENT (continued)**Company****2020***In RM Mil***At cost:**Own use

	At 1.1.2020	Additions	Disposals/ write-offs
Oil and gas properties	29,221	126	(370)
Buildings	277	—	—
Plant and equipment	4	—	—
Office equipment, furniture and fittings	87	—	—
Computer software and hardware	439	—	—
Motor vehicles	15	1	(1)
Projects-in-progress			
- oil and gas properties	265	131	—
- other projects	1,091	217	—
	31,399	475	(371)

Right-of-use

Leasehold land	322	27	—
Lease properties	2,962	3,611	—
Plant and equipment	1,485	—	—
Vessels	—	—	—
	4,769	3,638	—
	36,168	^a 4,113	(371)

continue to next page

^a Includes addition to future cost of decommissioning of certain property, plant and equipment amounting to RM17 million.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

**Company
2020**

In RM Mil

At cost:

Own use

Oil and gas properties

Buildings

Plant and equipment

Office equipment, furniture and fittings

Computer software and hardware

Motor vehicles

Projects-in-progress

- oil and gas properties

- other projects

Right-of-use

Leasehold land

Lease properties

Plant and equipment

Vessels

	Transfers/ reclass/ adjustments	At 31.12.2020
Oil and gas properties	2,126	31,103
Buildings	—	277
Plant and equipment	8	12
Office equipment, furniture and fittings	—	87
Computer software and hardware	32	471
Motor vehicles	—	15
Projects-in-progress		
- oil and gas properties	(117)	279
- other projects	(312)	996
	1,737	33,240
 <u>Right-of-use</u>		
Leasehold land	—	349
Lease properties	—	6,573
Plant and equipment	—	1,485
Vessels	—	—
	—	8,407
	^{a,b} 1,737	41,647

continued from previous page

^a Includes revision to future cost of decommissioning of oil and gas properties amounting to RM2,126 million.

^b Includes net transfers out of RM389 million comprising transfer to subsidiaries of RM273 million, transfer to intangible assets of RM66 million and reclassification to profit or loss of RM50 million.

3. PROPERTY, PLANT AND EQUIPMENT (continued)

**Company
2020**

In RM Mil

**Accumulated depreciation and
impairment losses:**

Own use

	At 1.1.2020	Charge for the year	Impairment
Oil and gas properties	16,738	1,484	2,092
Buildings	46	6	—
Plant and equipment	4	1	—
Office equipment, furniture and fittings	82	1	—
Computer software and hardware	342	45	—
Motor vehicles	13	1	—
Projects-in-progress			
- oil and gas properties	—	—	—
- other projects	—	—	—
	17,225	1,538	2,092

Right-of-use

Leasehold land	30	6	—
Lease properties	428	352	—
Plant and equipment	729	218	—
Vessels	—	—	—
	1,187	576	—
	18,412	2,114	2,092

continue to next page

3. PROPERTY, PLANT AND EQUIPMENT (continued)

**Company
2020**

In RM Mil

**Accumulated depreciation and
impairment losses:**

Own use

Oil and gas properties

(370)

19,944

Buildings

—

52

Plant and equipment

—

5

Office equipment, furniture and fittings

—

83

Computer software and hardware

—

387

Motor vehicles

(1)

13

Projects-in-progress

- oil and gas properties

—

—

- other projects

—

—

(371)

20,484

Right-of-use

Leasehold land

—

36

Lease properties

—

780

Plant and equipment

—

947

Vessels

—

—

—

1,763

(371)

22,247

continued from previous page

3. PROPERTY, PLANT AND EQUIPMENT (continued)

<i>In RM Mil</i>	Group		Company	
Carrying amount	2019	2020	2019	2020
<u>Own use</u>				
Freehold land	2,693	2,697	—	—
Oil and gas properties	112,189	97,742	12,483	11,159
Buildings	11,923	13,048	231	225
Plant and equipment	67,945	68,308	—	7
Office equipment, furniture and fittings	1,171	1,180	5	4
Computer software and hardware	936	1,051	97	84
Motor vehicles	144	135	2	2
Vessels	10,314	8,627	—	—
Projects-in-progress				
- oil and gas properties	28,353	24,186	265	279
- other projects	52,429	42,371	1,091	996
	<u>288,097</u>	<u>259,345</u>	<u>14,174</u>	<u>12,756</u>
<u>Leased to others as operating lease</u>				
Buildings	25	24	—	—
Vessels	12,482	14,662	—	—
Plant and equipment	18	20	—	—
	<u>12,525</u>	<u>14,706</u>	<u>—</u>	<u>—</u>
<u>Right-of-use</u>				
Leasehold land	7,841	7,853	292	313
Lease properties	738	377	2,534	5,793
Oil and gas properties	3,035	2,284	—	—
Buildings	755	525	—	—
Plant and equipment	2,181	2,083	756	538
Office equipment, furniture and fittings	1	—	—	—
Computer software and hardware	12	6	—	—
Motor vehicles	86	69	—	—
Vessels	3,933	4,469	—	—
	<u>18,582</u>	<u>17,666</u>	<u>3,582</u>	<u>6,644</u>
	<u>319,204</u>	<u>291,717</u>	<u>17,756</u>	<u>19,400</u>

3. PROPERTY, PLANT AND EQUIPMENT (continued)**3.1 As a lessee***Right-of-use assets**Depreciation of right-of-use assets*

<i>In RM Mil</i>	Group		Company	
	2019	2020	2019	2020
Capitalised in property, plant and equipment	202	162	—	—
Recognised in profit or loss	2,477	2,425	1,433	576
Total depreciation	2,679	2,587	1,433	576

Extension options

Some lease contracts contain extension options exercisable only by the Group and the Company before the end of the non-cancellable contract period. Where practicable, the Group and the Company include extension options in lease contracts to provide operational flexibility. The discounted potential future lease payments arising from exercisable extension options has been included in the lease liabilities except for when the extension terms are uncertain as the Group is finalising the extension terms as at reporting date.

Significant judgments and assumptions in relation to leases

The Group and the Company assess at lease commencement by applying significant judgment whether it is reasonably certain to exercise the extension options. The Group and the Company consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group and the Company also applied judgment and assumptions in determining the incremental borrowing rate of the respective leases. The Group and the Company first determine the closest available borrowing rates before using significant judgment to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

3. PROPERTY, PLANT AND EQUIPMENT (continued)**3.2 As a lessor*****Property, plant and equipment leased to others as operating lease***

The Group leases out a number of vessels under operating leases. The leases typically run for a period range of 2 to 19 years (2019: 2 to 19 years).

The following are recognised in profit or loss:

<i>In RM Mil</i>	2019	Group 2020
Lease income	1,003	672

The operating lease payments to be received are as follows:

<i>In RM Mil</i>	2019	Group 2020
Less than one year	1,756	1,463
One to five years	3,734	5,303
More than five years	4,387	6,160
Total undiscounted lease payments	9,877	12,926

Security

Property, plant and equipment of certain subsidiaries costing RM10,132 million (2019: RM7,577 million) have been pledged as security for loan facilities as set out in Note 21 and Note 22 to the financial statements.

Projects-in-progress

Included in additions to projects-in-progress of the Group is borrowing costs capitalised during the year of RM1,195 million (2019: RM1,514 million) and capitalisation of depreciation charge for the year of right-of-use assets of RM162 million (2019: RM202 million). The interest rate on borrowing costs capitalised ranges from 2.8% - 5.2% (2019: 3.2% - 5.2%) 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. Certain long-term leasehold land of the Group cannot be disposed of, charged or sub-leased without the prior consent of the relevant authority.

Change in estimates

During the year, the Group and the Company revised the estimated future cost of decommissioning of oil and gas properties. The revision was accounted for prospectively as a change in accounting estimates resulting in an increase in cost of oil and gas properties of the Group and the Company by RM2,670 million (2019: RM2,507 million) and RM2,126 million (2019: RM787 million) respectively (refer Note 23).

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 is normally 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 (high level of certainty for proved reserves), P2 (mean level of certainty for probable reserves) and P3 (low level of certainty for possible reserves). 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 a 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 is reviewed annually. These estimates are inherently imprecise, require the application of judgments 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 review of property, plant and equipment

As at 31 December 2020, the Group and the Company recognised impairment losses on certain property, plant and equipment amounting to RM25,702 million (2019: RM6,539 million) and RM2,092 million (2019: RM Nil) respectively. The impairment losses are primarily as a result of lower oil and gas price outlook.

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 impairment write-back is limited 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.

The Group's and the Company's recoverable amount for the relevant impaired and previously impaired cash-generating units of RM46,546 million (2019: RM41,193 million) and RM4,954 million (2019: RM7,110 million) respectively were determined from the value in use calculations using cash flow projections and fair value less cost to sell.

The Group and the Company use 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 5.1% and 17.4% (2019: 7.5% and 17.4%).

4. INVESTMENT PROPERTIES

Group 2019

In RM Mil

At cost:

Freehold land
Buildings
Projects-in-progress

At 1.1.2019	Additions
1,440	30
13,599	42
211	232
15,250	304

continue to next page

Accumulated depreciation:

Buildings

At 1.1.2019	Charge for the year
6,286	593

continue to next page

Group 2020

In RM Mil

At cost:

Freehold land
Leasehold land
Buildings
Projects-in-progress

At 1.1.2020	Additions	Disposal
1,470	—	—
—	—	—
13,642	13	(2)
443	101	(1)
15,555	114	(3)

continue to next page

Accumulated depreciation and impairment losses:

Buildings

At 1.1.2020	Charge for the year	Disposals	Impairment loss
6,841	431	(2)	12

continue to next page

4. INVESTMENT PROPERTIES (continued)**Group
2019***In RM Mil***At cost:**

Freehold land
Buildings
Projects-in-progress

Transfers/ reclass	Translation exchange difference	At 31.12.2019
—	—	1,470
—	1	13,642
—	—	443
—	1	15,555

*continued from previous page***Accumulated depreciation:**

Buildings

Transfers/ reclass	Translation exchange difference	At 31.12.2019
—	(38)	6,841

*continued from previous page***Group
2020***In RM Mil***At cost:**

Freehold land
Leasehold land
Buildings
Projects-in-progress

Acquisition of a subsidiary	Translation exchange difference	At 31.12.2020
—	(1)	1,469
990	—	990
—	(65)	13,588
1,127	—	1,670
2,117	(66)	17,717

*continued from previous page***Accumulated depreciation and impairment
losses:**

Buildings

Acquisition of a subsidiary	Translation exchange difference	At 31.12.2020
—	(33)	7,249

continued from previous page

4. INVESTMENT PROPERTIES (continued)

Group <i>In RM Mil</i>	Carrying amount	
	2019	2020
Freehold land	1,470	1,469
Leasehold land	—	990
Buildings	6,801	6,339
Projects-in-progress	443	1,670
	8,714	10,468

Fair value information

The Directors have estimated the fair value of investment properties as at 31 December 2020 to be RM19,905 million (2019: RM19,671 million).

The fair value of investment properties are categorised as follows:

Group <i>In RM Mil</i>	Level 3	
	2019	2020
Freehold land	1,850	1,815
Leasehold land	—	1,000
Buildings	17,821	17,090
	19,671	19,905

The Group uses various valuation techniques in determining the fair value of its investment properties. Such techniques include discounted cash flows method, investment method and market comparable method.

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 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. None of these leases include contingent rentals.

These leases have remaining period of non-cancellable lease terms between 6 and 22 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 <i>In RM Mil</i>	2019	2020
Less than one year	1,870	1,949
Between one and five years	10,727	10,353
More than five years	3,680	2,642
	16,277	14,944

5. LAND HELD FOR DEVELOPMENT

Included in land held for development is freehold land amounting to RM2,763 million (2019: RM2,776 million).

6. INVESTMENTS IN SUBSIDIARIES

<i>In RM Mil</i>	Company	
	2019	2020
Investments at cost		
- quoted shares	16,410	14,907
- unquoted shares	132,569	136,202
Fair value adjustments on loans and advances and financial guarantee	9,083	9,271
	158,062	160,380
Less: Impairment losses		
- unquoted shares	(4,833)	(4,884)
	153,229	155,496
Market value of quoted shares	93,800	85,385

Details of key subsidiaries are stated in Note 43 to the financial statements.

7. INVESTMENTS IN ASSOCIATES

<i>In RM Mil</i>	Group		Company	
	2019	2020	2019	2020
Investments at cost				
- quoted shares	263	263	302	302
- unquoted shares	6,440	6,220	—	—
Share of post-acquisition profits and reserves	2,261	2,034	—	—
	8,964	8,517	302	302
Less: Impairment losses				
- unquoted shares	(2,218)	(2,762)	—	—
	6,746	5,755	302	302
Market value of quoted shares	1,110	1,010	584	502

The Group's share of the current year losses and cumulative losses of certain associates amounting to RM32 million (2019: RM201 million) and RM132 million (2019: RM100 million) respectively have not been recognised in the Group's profit or loss as equity accounting has ceased when the Group's share of losses of these associates exceeded the carrying amount of its investment in these associates since the Group has no obligation in respect of these losses.

Summarised financial information has not been included as the associates are not individually material to the Group.

Details of key associates are stated in Note 44 to the financial statements.

8. INVESTMENT IN JOINT VENTURES

<i>In RM Mil</i>	Group		Company	
	2019	2020	2019	2020
Investments at cost				
- unquoted shares	6,737	5,009	624	475
Fair value adjustments on financial guarantee	377	377	377	377
Share of post-acquisition profits and reserves	2,131	1,544	—	—
	9,245	6,930	1,001	852
Less: Impairment losses	(89)	(86)	(9)	(9)
	9,156	6,844	992	843
<i>Share of joint ventures' contingent liabilities:</i>				
Claims filed by/disputes with various parties	(13)	(12)	(13)	(12)

The Group's share of the current year and cumulative losses of certain joint ventures amounting to RM48 million (2019: RM57 million) and RM584 million (2019: RM511 million) respectively have not been recognised in the Group's profit or loss as equity accounting has ceased when the Group's share of losses of these joint ventures exceeded the carrying amount of its investment in these joint ventures since the Group has no obligation in respect of these losses. The investments in these joint ventures have been fully impaired in the respective companies' financial statements.

The shares of a joint venture are pledged as a security for a borrowing taken by a joint arrangement entity.

Summarised financial information has not been included as the joint ventures are not individually material to the Group.

Details of key joint ventures are stated in Note 45 to the financial statements.

9. INTANGIBLE ASSETS**Group
2019***In RM Mil***At cost:**

	At 1.1.2019	Additions	Disposals/ write-offs
Goodwill	5,691	—	—
Exploration expenditure	24,426	1,985	(996)
Other intangible assets	31,017	5,048	(14)
	61,134	7,033	(1,010)

*continue to next page***Accumulated amortisation
and impairment losses:**

	At 1.1.2019	Charge for the year	Disposals/ write-offs
Goodwill	561	—	—
Exploration expenditure	11,828	—	—
Other intangible assets	26,232	2,778	(8)
	38,621	2,778	(8)

*continue to next page***2020***In RM Mil***At cost:**

	At 1.1.2020	Additions	Write-offs	Effect upon finalisation of purchase price allocation
Goodwill	6,833	—	—	(327)
Exploration expenditure	25,001	2,095	(1,864)	—
Other intangible assets	35,990	992	(39)	498
	67,824	3,087	(1,903)	171

*continue to next page***Accumulated amortisation
and impairment losses:**

	At 1.1.2020	Charge for the year	Write-offs
Goodwill	552	—	—
Exploration expenditure	12,129	—	(143)
Other intangible assets	28,883	1,422	(19)
	41,564	1,422	(162)

continue to next page

9. INTANGIBLE ASSETS (continued)

Group 2019	Acquisition of subsidiaries	Transfers	Translation exchange difference	At 31.12.2019
<i>In RM Mil</i>				
At cost:				
Goodwill	1,129	36	(23)	6,833
Exploration expenditure	—	(540)	126	25,001
Other intangible assets	294	26	(381)	35,990
	1,423	^{a,b} (478)	(278)	67,824

continued from previous page

Accumulated amortisation and impairment losses:	Impairment loss	Acquisition of subsidiaries	Transfers	Translation exchange difference	At 31.12.2019
Goodwill	—	—	—	(9)	552
Exploration expenditure	328	—	—	(27)	12,129
Other intangible assets	154	12	21	(306)	28,883
	482	12	^{b,c} 21	(342)	41,564

continued from previous page

2020	Acquisition of subsidiaries	Transfers	Translation exchange difference	At 31.12.2020
<i>In RM Mil</i>				
At cost:				
Goodwill	75	—	(36)	6,545
Exploration expenditure	—	(309)	(394)	24,529
Other intangible assets	—	—	(10)	37,431
	75	^d (309)	(440)	68,505

continued from previous page

Accumulated amortisation and impairment losses:	Impairment loss	Acquisition of subsidiaries	Transfers	Translation exchange difference	At 31.12.2020
Goodwill	864	—	—	(28)	1,388
Exploration expenditure	3,973	—	—	36	15,995
Other intangible assets	1,336	—	—	(544)	31,078
	6,173	—	—	(536)	48,461

continued from previous page

^a Includes net transfer out to property, plant and equipment of RM531 million and transfer in from assets held for sale of RM18 million.

^b Includes reclassification of certain assets from cost to accumulated depreciation of RM35 million.

^c Includes transfer out to property, plant and equipment of RM14 million.

^d Includes net transfer out to property, plant and equipment of RM309 million.

9. INTANGIBLE ASSETS (continued)**Company
2020***In RM Mil***At cost:**

Other intangible assets

	At 1.1.2020	Transfers	Write-offs	At 31.12.2020
Other intangible assets	—	66	(20)	46

Accumulated amortisation:

Other intangible assets

	At 1.1.2020	Charge for the year	Write-offs	At 31.12.2020
Other intangible assets	—	10	—	10

Carrying amount*In RM Mil*

Goodwill

Exploration expenditure

Other intangible assets

	Group		Company	
	2019	2020	2019	2020
Goodwill	6,281	5,157	—	—
Exploration expenditure	12,872	8,534	—	—
Other intangible assets	7,107	6,353	—	36
	26,260	20,044	—	36

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 and 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 RM3,987 million (2019: RM3,987 million) 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 an independent valuer. 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 2021 to 2025, adjusted with an estimated terminal value. The cash flow assumes a long term growth rate of Nil (2019: Nil) and is discounted to present value using discount rate of between 6.7% and 7.2% (2019: 5.9% and 7.2%).

Based on the above, the carrying amount of the unit was determined to be higher than its recoverable amount and therefore, an impairment of RM864 million 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 increased the impairment by RM248 million.
- (ii) An increase of 0.5 percentage point in discount rate used would have increased the impairment by RM327 million.

9. INTANGIBLE ASSETS (continued)***Impairment review of goodwill (continued)***

The value in use of other remaining goodwill is derived from the respective cash-generating units' business plan cash flow projections, adjusted with an estimated terminal value. The cash flows assumes a long term average growth rate of the respective industries those units are engaged in and are discounted to present value using discount rate of 6.9% (2019: 6.9%).

Based on the above, the recoverable amount of other goodwill of certain units were determined to be higher than their carrying amount, thus no impairment loss was recognised during the year.

Impairment review of exploration expenditure

As at 31 December 2020, the Group recognised net impairment losses on certain exploration expenditure amounting to RM3,973 million (2019: RM328 million) related to an oil and gas exploration cash-generating unit and certain wells no longer capable of commercial development. The impairment on well costs will be subsequently written off in accordance with the policy set out in Note 2.10.

10. LONG-TERM RECEIVABLES

<i>In RM Mil</i>	Note	Group		Company	
		2019	2020	2019	2020
Term loans and advances:					
Loans and advances due from subsidiaries	10.1	—	—	93,649	89,668
Loans and advances due from associates and joint ventures	10.2	6,225	7,138	5,061	5,795
		6,225	7,138	98,710	95,463
Contract assets	10.3	8	13	—	—
Net investment in lease	10.4	9,331	9,670	—	—
Other receivables and prepayments	10.5	5,869	5,450	23,284	25,482
Derivative assets	12	12	59	—	—
		21,445	22,330	121,994	120,945
Less: Allowance for impairment losses					
- Term loans and advances		(919)	(975)	(163)	(516)
- Other receivables and prepayments		(143)	(123)	—	—
		20,383	21,232	121,831	120,429

10.1 Included in the Company's loans and advances due from subsidiaries is an amount of RM88,049 million (2019: RM92,320 million), which bears interest at rates ranging from 0.46% - 5.20% (2019: 2.00% to 5.40%) per annum.

10.2 Included in the Group's and the Company's loans and advances due from associates and joint ventures is an amount of RM7,079 million (2019: RM6,225 million) and RM5,795 million (2019: RM5,061 million), which bear interest at rates ranging from 2.24% to 10.00% (2019: 3.91% to 10.00%) and 2.24% (2019: 3.91%) per annum respectively.

10. LONG-TERM RECEIVABLES (continued)

10.3 Contract assets represent revenue attributable to a concession arrangement entered into by a subsidiary of the Group with the Government of Malaysia to construct government buildings on a Build-Lease-Maintain-Transfer basis. The concession period is 28 years and 6 months commencing from the construction date.

The Group recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets is more than one year.

10.4 Net investment in lease

Net investment in lease represent lease rental and interest receivable due from customers in relation to the lease of offshore floating assets and office buildings, both entered by subsidiaries of the Group.

<i>In RM Mil</i>	2019	Group 2020
At 1 January	10,272	9,331
Addition	150	1,261
Interest income	7	5
Lease payments received	(1,341)	(927)
Others	243	—
At 31 December	9,331	9,670

<i>In RM Mil</i>	2019	Group 2020
Minimum lease receivables:		
Not later than 1 year	1,754	1,597
Later than 1 year and not later than 2 years	1,658	1,476
Later than 2 years and not later than 5 years	4,309	4,029
Later than 5 years	6,366	7,678
	14,087	14,780
Less: Future finance income	(3,669)	(4,079)
Less: Allowance for impairment losses	(10)	(55)
Present value of finance lease assets	10,408	10,646
 Present value of finance lease assets:		
Not later than 1 year	1,077	976
Later than 1 year and not later than 2 years	1,115	923
Later than 2 years and not later than 5 years	3,061	2,697
Later than 5 years	5,165	6,105
	10,418	10,701
Less: Allowance for impairment losses	(10)	(55)
	10,408	10,646
 Analysed as:		
Due within 12 months (Note 15)	1,077	976
Due after 12 months	9,331	9,670
	10,408	10,646

10. LONG-TERM RECEIVABLES (continued)**10.4 Net investment in lease (continued)**

The following table sets out a maturity analysis of lease receivables, showing undiscounted lease payments to be received after the reporting date.

<i>In RM Mil</i>	Group	
	2019	2020
Less than one year	1,842	1,661
One to two years	1,658	1,510
Two to three years	1,456	1,472
Three to four years	1,462	1,405
Four to five years	2,063	1,994
More than five years	7,042	7,291
Total undiscounted lease payments	15,523	15,333
Unearned interest income	(3,672)	(4,074)
Net investment in lease	11,851	11,259

The effective interest rate of the Group's lease receivables is between 3.75% to 7.57% (2019: 4.10% to 7.60%). Included in minimum lease receivables are the estimated unguaranteed residual values of the leased assets of RM32 million (2019: RM17 million).

- 10.5 Included in the Company's other receivables and prepayments is abandonment cess contribution to the Abandonment Cess Fund ("ACF"), which is reimbursable to the Company upon execution of the abandonment of the oil and gas properties in accordance with the terms of the production sharing contracts ("PSCs") as described in Note 38. The amount of cess payable to the PSC Contractors is disclosed in Note 23.

11. FUND AND OTHER INVESTMENTS

<i>In RM Mil</i>	Group		Company	
	2019	2020	2019	2020
Non-current				
<i>Fair value through profit or loss</i>				
Unquoted shares	65	63	—	—
Quoted securities	48	41	—	—
Other unquoted securities	57	191	—	—
	170	295	—	—
<i>Fair value through other comprehensive income</i>				
Quoted shares	418	—	—	—
Unquoted shares	178	187	73	73
	596	187	73	73
<i>Amortised cost</i>				
Long-term deposits	1,163	127	977	90
Unquoted securities	—	400	—	230
	1,163	527	977	320
Total non-current investments	1,929	1,009	1,050	393
Current				
<i>Fair value through profit or loss</i>				
Quoted securities	135	140	—	—
Quoted shares	739	1,106	7	6
Corporate Bonds and Sukuk	7,198	8,219	3,467	4,812
Malaysian Government Securities	610	290	518	254
	8,682	9,755	3,992	5,072
<i>Fair value through other comprehensive income</i>				
Quoted shares	28	24	—	—
Total current investments	8,710	9,779	3,992	5,072
Total fund and other investments	10,639	10,788	5,042	5,465
Representing items:				
At amortised cost	1,163	527	977	320
At fair value	9,476	10,261	4,065	5,145
	10,639	10,788	5,042	5,465

Included in fund and other investments of the Group is an amount of RM2,151 million (2019: RM2,122 million) which are held for the purpose of future decommissioning activities of oil and gas properties.

Included in Corporate Bonds and Sukuk of the Company are securities issued by subsidiaries and a joint venture amounting to RM381 million (2019: RM355 million).

12. DERIVATIVE ASSETS/(LIABILITIES)

<i>In RM Mil</i>	Note	Group	Company		
		2019	2020	2019	2020
Derivative assets					
Non-current					
Interest rate swaps		9	7	—	—
Forward foreign exchange contracts		3	52	—	—
		12	59	—	—
Current					
Commodity swaps		2	11	—	—
Forward gas contracts		585	327	—	—
Forward foreign exchange contracts		58	94	10	17
Forward oil/gas price swaps		142	34	—	—
		787	466	10	17
Included within:					
Long-term receivables	10	12	59	—	—
Trade and other receivables	15	787	466	10	17
		799	525	10	17
Derivative liabilities					
Non-current					
Interest rate swaps		(167)	(546)	—	—
Forward foreign exchange contracts		(19)	—	—	—
		(186)	(546)	—	—
Current					
Commodity swaps		(27)	(12)	—	—
Forward oil/gas contracts		(359)	(651)	—	—
Forward foreign exchange contracts		(55)	(53)	(18)	(21)
Forward oil/gas price swaps		(14)	(933)	—	—
		(455)	(1,649)	(18)	(21)
Included within:					
Other long-term liabilities and provisions	23	(186)	(546)	—	—
Trade and other payables	24	(455)	(1,649)	(18)	(21)
		(641)	(2,195)	(18)	(21)

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 2020, the balance recognised under capital reserves in equity amounts to RM1,429 million (2019: RM73 million). As these amounts are not material to the Group, no full disclosure of hedge accounting is presented in the Group's financial statements.

13. DEFERRED TAX**Recognised deferred tax assets/(liabilities)**

Deferred tax assets and liabilities are attributable to the following:

<i>In RM Mil</i>	Assets		Liabilities		Net	
	2019	2020	2019	2020	2019	2020
Group						
Property, plant and equipment	1,577	9,511	(12,963)	(20,775)	(11,386)	(11,264)
Lease liabilities	455	2,023	—	—	455	2,023
Unused tax losses	7,532	10,765	—	—	7,532	10,765
Unabsorbed capital allowances	2,466	1,874	—	—	2,466	1,874
Unused reinvestment allowances	210	435	—	—	210	435
Unused investment tax allowances	4,044	5,254	—	—	4,044	5,254
Provision for decommissioning of oil and gas properties	4,543	3,834	—	—	4,543	3,834
Others	546	1,232	(435)	(1,986)	111	(754)
Tax assets/(liabilities)	21,373	34,928	(13,398)	(22,761)	7,975	12,167
Set off tax	(800)	(14,306)	800	14,306	—	—
Net tax assets/(liabilities)	20,573	20,622	(12,598)	(8,455)	7,975	12,167
Company						
Property, plant and equipment	224	225	(1,000)	(979)	(776)	(754)
Unused tax losses	6,303	2,692	—	—	6,303	2,692
Unabsorbed capital allowances	55	34	—	—	55	34
Provision for decommissioning of oil and gas properties	4,164	4,302	—	—	4,164	4,302
Others	181	169	—	—	181	169
Tax assets/(liabilities)	10,927	7,422	(1,000)	(979)	9,927	6,443
Set off tax	(1,000)	(979)	1,000	979	—	—
Net tax assets/(liabilities)	9,927	6,443	—	—	9,927	6,443

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

<i>In RM Mil</i>	Group		Company	
	2019	2020	2019	2020
Deductible temporary differences	431	1,430	—	—
Unabsorbed capital allowances	1,013	2,732	—	—
Unused tax losses	36,119	54,378	781	20,599
Unused reinvestment allowances	—	27	—	—
Unused investment tax allowances	267	163	—	—
	37,830	58,730	781	20,599

13. DEFERRED TAX (continued)**Unrecognised deferred tax assets (continued)**

In accordance with the provision of Malaysian Finance Act 2018, the unused tax losses are available for utilisation in the next seven years. Any excess at the end of the seventh year will be disregarded. 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 subsidiaries can utilise the benefits.

Unabsorbed capital allowances and unused investment tax allowances do not expire under current tax legislation.

The Group and the Company have unused tax losses carried forward of approximately RM99,232 million (2019: RM67,502 million) and RM31,816 million (2019: RM27,044 million) respectively, which give rise to the recognised and unrecognised deferred tax assets as above.

The Group also has unabsorbed capital allowances, unused investment tax allowances and unused reinvestment allowances of approximately RM10,540 million (2019: RM11,288 million), RM22,055 million (2019: RM17,117 million) and RM1,840 million (2019: RM875 million) respectively, which give rise to the recognised and unrecognised deferred tax assets as above.

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

Group 2019 In RM Mil	At 31.12.2018, as previously reported	Effect of adoption of MFRS 16	At 1.1.2019	Charged/ (credited) to profit or loss	Equity	Translation exchange difference	At 31.12.2019
Deferred tax liabilities							
Property, plant and equipment	14,669	104	14,773	(2,139)	386	(57)	12,963
Others	603	—	603	(18)	(163)	13	435
	<u>15,272</u>	<u>104</u>	<u>15,376</u>	<u>(2,157)</u>	<u>223</u>	<u>(44)</u>	<u>13,398</u>
Deferred tax assets							
Property, plant and equipment	(660)	—	(660)	(902)	(19)	4	(1,577)
Lease liabilities	—	(114)	(114)	(345)	—	4	(455)
Unused tax losses	(7,736)	—	(7,736)	202	—	2	(7,532)
Unabsorbed capital allowances	(2,459)	—	(2,459)	362	(373)	4	(2,466)
Unused reinvestment allowances	(218)	—	(218)	8	—	—	(210)
Unused investment tax allowances	(3,413)	—	(3,413)	(678)	47	—	(4,044)
Provision for decommissioning of oil and gas properties	(4,397)	—	(4,397)	(145)	—	(1)	(4,543)
Others	(648)	—	(648)	71	18	13	(546)
	<u>(19,531)</u>	<u>(114)</u>	<u>(19,645)</u>	<u>(1,427)</u>	<u>(327)</u>	<u>26</u>	<u>(21,373)</u>
Total	<u>(4,259)</u>	<u>(10)</u>	<u>(4,269)</u>	<u>(3,584)</u>	<u>(104)</u>	<u>(18)</u>	<u>(7,975)</u>

13. DEFERRED TAX (continued)

Group 2020 <i>In RM Mil</i>	At 1.1.2020	Charged/ (credited) to profit or loss	Acquisition of subsidiaries	Equity	Translation exchange difference	At 31.12.2020
Deferred tax liabilities						
Property, plant and equipment	12,963	8,040	1	13	(242)	20,775
Others	435	1,674	—	3	(126)	1,986
	13,398	^a 9,714	1	16	(368)	22,761
Deferred tax assets						
Property, plant and equipment	(1,577)	(7,844)	—	40	(130)	(9,511)
Lease liabilities	(455)	(1,514)	—	—	(54)	(2,023)
Unused tax losses	(7,532)	(3,548)	—	21	294	(10,765)
Unabsorbed capital allowances	(2,466)	571	—	16	5	(1,874)
Unused reinvestment allowances	(210)	(225)	—	—	—	(435)
Unused investment tax allowances	(4,044)	(1,249)	—	—	39	(5,254)
Provision for decommissioning of oil and gas properties	(4,543)	713	—	—	(4)	(3,834)
Others	(546)	(636)	(1)	3	(52)	(1,232)
	(21,373)	^b (13,732)	(1)	80	98	(34,928)
Total	(7,975)	(4,018)	—	96	(270)	(12,167)

Company 2019 <i>In RM Mil</i>	At 1.1.2019	(Credited)/ charged to profit or loss	At 31.12.2019
Deferred tax assets			
Property, plant and equipment	1,041	(265)	776
Unused tax losses	(6,005)	(298)	(6,303)
Unabsorbed capital allowances	(79)	24	(55)
Provision for decommissioning of oil and gas properties	(4,019)	(145)	(4,164)
Others	(288)	107	(181)
	(9,350)	(577)	(9,927)

2020 <i>In RM Mil</i>	At 1.1.2020	(Credited)/ charged to profit or loss	At 31.12.2020
Deferred tax assets			
Property, plant and equipment	776	(22)	754
Unused tax losses	(6,303)	3,611	(2,692)
Unabsorbed capital allowances	(55)	21	(34)
Provision for decommissioning of oil and gas properties	(4,164)	(138)	(4,302)
Others	(181)	12	(169)
	(9,927)	3,484	(6,443)

^{a,b} Includes reclassification between deferred tax liabilities and deferred tax assets.

14. TRADE AND OTHER INVENTORIES

<i>In RM Mil</i>	Group		Company	
	2019	2020	2019	2020
Crude oil and condensates	2,723	2,252	22	21
Petroleum products	4,838	4,021	—	—
Petrochemical products	854	672	—	—
Liquefied natural gas	1,541	908	150	—
Stores, spares and others	2,415	2,563	1	1
Developed properties held for sale	547	712	—	—
Properties under development	1,529	1,363	—	—
	<u>14,447</u>	<u>12,491</u>	<u>173</u>	<u>22</u>
Recognised in profit or loss:				
Inventories recognised as cost of sales	<u>83,771</u>	<u>63,884</u>	<u>—</u>	<u>—</u>

15. TRADE AND OTHER RECEIVABLES

<i>In RM Mil</i>	Note	Group		Company	
		2019	2020	2019	2020
Trade					
Trade receivables		28,703	22,199	3,695	2,845
Amount due from:					
- subsidiaries		—	—	11,913	7,853
- associates and joint ventures		810	5,078	—	171
Contract assets		457	660	—	—
Less: Allowance for impairment losses					
- Trade receivables	39	(2,589)	(2,201)	(376)	(375)
- Amount due from subsidiaries		—	—	(8)	(3)
- Amount due from associates and joint ventures		(1)	(8)	—	—
		<u>27,380</u>	<u>25,728</u>	<u>15,224</u>	<u>10,491</u>
Non-trade					
Other receivables, deposits and prepayments		12,059	14,910	1,872	1,812
Amount due from:					
- subsidiaries		—	—	2,282	2,148
- associates and joint ventures		1,732	542	17	7
Tax recoverable		428	281	—	—
Net investment in lease	10	1,077	976	—	—
Derivative assets	12	787	466	10	17
Less: Allowance for impairment losses					
- Amount due from subsidiaries		—	—	(159)	(151)
- Other receivables, deposits and prepayments		(2,178)	(2,320)	(15)	(14)
		<u>13,905</u>	<u>14,855</u>	<u>4,007</u>	<u>3,819</u>
		<u>41,285</u>	<u>40,583</u>	<u>19,231</u>	<u>14,310</u>

15. TRADE AND OTHER RECEIVABLES (continued)

Amount due from subsidiaries, associates and joint ventures arose in the normal course of business.

Contract assets are mainly in relation to sale of property development whereby they represent the timing differences in revenue recognition and the milestone billings. The milestone billings are either governed by the relevant regulations or structured and/or negotiated with customers and stated in the contracts.

Tax recoverable is subject to the agreement with the relevant tax authorities.

16. ASSETS CLASSIFIED AS HELD FOR SALE

<i>In RM Mil</i>	2019	Group 2020
Vessels	125	5
Land and buildings	229	13
Plant and equipment	44	—
	<u>398</u>	<u>18</u>

The above amount represents carrying values of net assets owned by the Group 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*, assets classified as held for sale were written down to their fair value less costs to sell.

The fair value of assets classified as held for sale are categorised as level 3.

The assets classified as held for sale are stated at fair value, and are determined based on the following:

Vessels

The fair value of the vessels has been determined based on market comparable approach including the sale price offered by potential buyer.

Land and buildings

The fair value of land and buildings has been generally derived using sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

Plant and equipment

The fair value of plant and equipment is determined based on the contracted price agreed with potential purchaser.

17. CASH AND CASH EQUIVALENTS

<i>In RM Mil</i>	Group		Company	
	2019	2020	2019	2020
Cash and bank balances	12,721	9,094	3,359	2,228
Deposits placed	128,901	121,429	103,342	92,457
	141,622	130,523	106,701	94,685
Less: Subsidiaries' cash with PETRONAS Integrated Financial Shared Service Centre	—	—	(50,740)	(40,574)
	141,622	130,523	55,961	54,111

The Company 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 and the Company are interest-bearing balances amounting to RM7,504 million (2019: RM10,779 million) and RM2,228 million (2019: RM3,359 million) respectively.

Included in cash and bank balances of the Group is the retention account of RM1,303 million (2019: RM1,290 million) which is restricted for use because it is pledged to the bank for the purpose of acquisition of vessels.

Included in cash and bank balances of the Group are RM21 million (2019: Nil) held by a trustee. The amount represents the unutilised value of e-wallet monies and amount due to service providers for value utilised.

Included in deposits with banks of the Group is an amount of RM21,062 million (2019: RM18,063 million) which is held for the purpose of future decommissioning activities of oil and gas properties.

Included in deposits placed with banks of the Group is an amount of RM1 million (2019: RM2 million) 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 RM335 million (2019: RM70 million) which is restricted for certain payments under the requirements of the borrowing facilities agreement.

18. SHARE CAPITAL

<i>In RM Mil</i>	Company	
	2019	2020
Issued and fully paid shares with no par value classified as equity instrument:		
100,000 ordinary shares of RM1,000 each	100	100

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. Ordinary share has no par value.

19. RESERVES

The Company has sufficient retained profits to distribute the following dividends:

- (i) Dividends paid out of income derived from petroleum operations which are not chargeable to tax pursuant to the Petroleum (Income Tax) Act, 1967.
- (ii) Single tier dividends paid out of income derived from other operations other than petroleum which are exempt in the hands of shareholder pursuant to Paragraph 12B, Schedule 6 of the Income Tax Act, 1967.
- (iii) Exempt dividends paid out of income which are exempt pursuant to Section 12 of Income Tax (Amendment) Act, 1999, Paragraph 28, Schedule 6 and Schedule 7A of the Income Tax Act, 1967.

Capital and other reserves

Capital reserves represent primarily reserves created upon issuance of bonus shares and redemption of preference shares by subsidiaries. Other reserves comprise primarily gain or loss on the hedging instrument in the cash flow hedge that is determined to be an effective hedge and the Group's share of its associate and joint venture 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.

Fair value through other comprehensive income reserve

This reserve records the changes in fair value of equity securities designated at fair value through other comprehensive income. On disposal or impairment of equity securities, the cumulative changes in fair value are transferred to the retained profits.

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.

20. NON-CONTROLLING INTERESTS

This consists of the non-controlling interests' proportion of share capital and reserves of partly-owned subsidiaries.

21. BORROWINGS

<i>In RM Mil</i>	Group		Company	
	2019	2020	2019	2020
Non-current				
Secured				
Term loans	9,749	14,097	—	—
Islamic financing facilities	1,750	1,547	—	—
Lease liabilities	12,603	11,324	4,417	7,268
Total non-current secured borrowings	24,102	26,968	4,417	7,268
Unsecured				
Term loans	4,812	768	—	—
Notes and Bonds	21,371	45,014	21,371	45,014
Islamic financing facilities	3,137	4,058	—	—
Total non-current unsecured borrowings	29,320	49,840	21,371	45,014
Total non-current borrowings	53,422	76,808	25,788	52,282
Current				
Secured				
Term loans	3,699	1,923	—	—
Islamic financing facilities	644	776	—	—
Lease liabilities	1,063	1,405	344	572
Total current secured borrowings	5,406	4,104	344	572
Unsecured				
Term loans	2,051	2,809	—	—
Islamic financing facilities	5,654	770	5,121	—
Revolving credits	1,347	1,384	—	—
Bankers' acceptances	449	1,656	—	—
Bank overdrafts	409	698	—	—
Total current unsecured borrowings	9,910	7,317	5,121	—
Total current borrowings	15,316	11,421	5,465	572
Total borrowings	68,738	88,229	31,253	52,854

21. BORROWINGS (continued)*Terms and debt repayment schedule*

Group <i>In RM Mil</i>	Total	Under 1 year	1-2 years	2-5 years	Over 5 years
Secured					
Term loans	16,020	1,923	2,203	4,669	7,225
Islamic financing facilities	2,323	776	196	614	737
Lease liabilities	12,729	1,405	1,555	2,667	7,102
	31,072	4,104	3,954	7,950	15,064
Unsecured					
Term loans	3,577	2,809	122	498	148
Notes and Bonds	45,014	—	7,044	6,009	31,961
Islamic financing facilities	4,828	770	574	1,909	1,575
Revolving credits	1,384	1,384	—	—	—
Bankers' acceptances	1,656	1,656	—	—	—
Bank overdrafts	698	698	—	—	—
	57,157	7,317	7,740	8,416	33,684
	88,229	11,421	11,694	16,366	48,748
Company					
Secured					
Lease liabilities	7,840	572	442	1,505	5,321
Unsecured					
Notes and Bonds	45,014	—	7,044	6,009	31,961
	52,854	572	7,486	7,514	37,282

Islamic financing facilities

Details of Islamic financing facilities are included in Note 22.

21. BORROWINGS (continued)***Secured term loans***

The secured term loans obtained by the subsidiaries and joint operation company primarily comprise:

<i>In Mil</i>	Securities	2019	2020
USD Term loans	Secured by way of a charge over certain vessels, property, plant and equipment, together with charter agreements and insurance of the relevant assets of certain subsidiaries, as well as ordinary shares and land lease rights of joint arrangement entities.	US\$2,364	US\$4,715
RM Term loans	Secured by way of a charge over certain property, plant and equipment and investment properties and insurance of the relevant property, plant and equipment of certain subsidiaries.	RM477	RM877

The secured term loans bear interest at rates ranging from 0.84% to 4.49% (2019: 1.10% to 4.49%) per annum and are fully repayable at their various due dates from 2021 to 2034.

Unsecured term loans

The unsecured term loans obtained by the subsidiaries primarily comprise:

<i>In Mil</i>	2019	2020
USD Term loans	US\$3,490	US\$1,277
EUR Term loans	€436	€436

These unsecured term loans bear interest at rates ranging from 0.30% to 5.40% (2019: 0.39% to 6.50%) per annum and are fully repayable at their various due dates from 2021 to 2023.

Unsecured Notes and Bonds

The unsecured Notes and Bonds comprises:

<i>In Mil</i>	2019	2020
USD Notes and Bonds:		
7 7/8% Notes due 2022 [^]	US\$1,000	US\$1,000
3 1/8% Guaranteed Notes due 2022 [^]	US\$750	US\$750
3 1/2% Guaranteed Notes due 2025 [^]	US\$1,500	US\$1,500
7 5/8% Bonds due 2026 #	US\$500	US\$500
4 1/2% Guaranteed Notes due 2045 [^]	US\$1,500	US\$1,500
3 1/2% Guaranteed Notes due 2030 [^]	—	US\$2,250
4 4/5% Guaranteed Notes due 2060 [^]	—	US\$1,000
4 11/20% Guaranteed Notes due 2050 [^]	—	US\$2,750

Obtained by the Company.

[^] Obtained by the Company via a subsidiary.

21. BORROWINGS (continued)

Unsecured revolving credits and bank overdrafts

The unsecured revolving credits and bank overdrafts are obtained by the subsidiaries and primarily bear interest at rates ranging from 2.19% to 7.60% (2019: 1.00% to 7.60%) per annum.

Unsecured Notes and Bonds

In connection with the long term borrowing facility agreements, the Group and the Company have agreed on the following significant covenants with the bondholders:

- (i) not to allow any material indebtedness (the minimum aggregate amount exceeding USD30,000,000 for 7 7/8% Guaranteed Notes due 2022 and USD200,000,000 for the remaining Guaranteed Notes 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 guarantee of the Company for material indebtedness of any other person is not discharged at maturity or when validly called or the Company goes into default;
- (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;
- (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 consolidated net tangible assets provided that, within 12 months after such sale and leaseback transaction, it applies to the retirement of indebtedness for borrowed money the repayment obligations hereunder and which are not secured by any security interest, an amount 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;
- (iv) neither the Company nor PETRONAS Capital Limited ("PCL"), without consent of a majority bondholders may consolidate with, or merge into, or sell, transfer, lease or convey substantially all of its assets to any corporation unless any successor corporation expressly assumes the obligations of the Company or PCL, as the case may be under the Notes and Bonds.

22. ISLAMIC FINANCING FACILITIES***Secured Islamic financing facilities***

The secured Islamic financing facilities obtained by the subsidiaries comprise:

<i>In RM Mil</i>	2019	2020
Al Bai'bithaman Ajil Facilities	300	300
Bai' Al-Dayn Note Issuance Facilities	206	206
Murabahah Medium Term Notes	1,510	1,510

The secured Islamic financing facilities bear a yield payable/profit rate ranging from 4.15% to 7.25% (2019: 4.15% to 7.25%) per annum and are fully repayable at their various due dates from 2021 to 2026.

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:

<i>In Mil</i>	2019	2020
Murabahah Note Issuance Facilities	RM5	—
Murabahah Note Issuance Facilities	RMB216	RMB216
Sukuk Musyarakah	RM3,982	RM5,682
Bai' Al-Dayn Note Issuance Facilities	RM25	—
Trust Certificates^	US\$1,250	—

^ Obtained by the Company via a subsidiary.

The unsecured Islamic financing facilities bear a yield payable ranging from 3.50% to 6.17% (2019: 2.71% to 6.17%) per annum and are fully repayable at their various due dates from 2021 to 2040.

23. OTHER LONG-TERM LIABILITIES AND PROVISIONS

<i>In RM Mil</i>	Group		Company	
	2019	2020	2019	2020
Provision for decommissioning of:				
- oil and gas properties	36,663	39,764	15,740	17,159
- other property, plant and equipment	407	1,364	—	—
Financial guarantees	—	—	16	—
Derivative liabilities (Note 12)	186	546	—	—
Contract liabilities	1,585	1,201	8,792	8,016
Others	5,645	8,181	9,761	11,631
	44,486	51,056	34,309	36,806

Provision for decommissioning of oil and gas properties and other property, plant and equipment is recognised when there is an obligation to abandon 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. In the case of provision for decommissioning of oil and gas properties, the obligation is stipulated in production sharing contracts ("PSC") as described in Note 38.

23. OTHER LONG-TERM LIABILITIES AND PROVISIONS (continued)

Included in other long-term liabilities of the Group and the Company are amount of abandonment cess payable to the PSC Contractors of RM3,834 million and RM11,471 million (2019: RM3,143 million and RM9,743 million) respectively as described in Note 38.

The provision recognised is the present value of the Group's and the Company's obligations of the estimated future costs determined in accordance with current conditions and requirements.

A corresponding asset of an amount equivalent to the provision is also created. This asset is depreciated in accordance with the policy set out in Note 2.4. The increase in the present value of the provision for the expected costs due to the passage of time is included within finance costs.

Most of these removal events are many years in the future and precise requirements that will have to be met when the removal events actually occur are uncertain. The actual timing and net cash outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, therefore, the carrying amounts of provisions, together with the interest rate used in discounting the cash flows and inflation rate, are regularly reviewed and adjusted to take account of such changes. The interest rate and inflation rate used to determine the significant obligations as at 31 December 2020 range from 0.88% to 7.17% (2019: 0.41% to 8.00%) and 0.90% to 4.31% (2019: 1.15% to 4.67%) respectively. Changes in the expected future costs are reflected in both the provision and the asset.

The movements of provision for decommissioning during the financial year are as follows:

<i>In RM Mil</i>	Group	Company
At 1 January 2020	37,070	15,740
Addition	1,410	17
Net changes in provision	2,301	1,031
Transfer to current liabilities	(472)	—
Provision utilised	(463)	(161)
Unwinding of discount	1,282	532
At 31 December 2020	41,128	17,159

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 Group and the Company revised the provision for decommissioning of oil and gas properties resulting from changes in estimated cash flows. The adjustment was accounted for prospectively as a change in accounting estimates resulting in the following:

<i>In RM Mil</i>	Group	Company
Increase in provision for decommissioning	2,301	1,031
Increase in cost of property, plant and equipment	2,670	2,126
Increase in profits	369	1,095

24. TRADE AND OTHER PAYABLES

<i>In RM Mil</i>	Group		Company	
	2019	2020	2019	2020
Trade payables	16,884	9,489	1,843	1,272
Other payables	35,511	31,327	9,700	7,110
Contract liabilities	2	8	—	—
Amount due to:				
- subsidiaries	—	—	5,844	3,541
- associates and joint ventures	1,116	1,255	11	10
Derivative liabilities (Note 12)	455	1,649	18	21
	<u>53,968</u>	<u>43,728</u>	<u>17,416</u>	<u>11,954</u>

Included in other payables of the Group are amounts owing to suppliers, contractors and joint operation partners mainly arose in the normal course of business as well as purchase of property, plant and equipment and cash payment to Federal and State Governments of Malaysia.

Included in other payables of the Company are financial guarantees amounting to RM32 million (2019: RM Nil).

Amount due to subsidiaries, associates and joint ventures arose in the normal course of business.

25. REVENUE

<i>In RM Mil</i>	Group			Company		
	2018	2019	2020	2018	2019	2020
Revenue from contracts with customers	238,635	226,439	168,436	90,898	85,109	58,597
Other revenue						
- shipping and shipping related services	2,137	2,780	2,577	—	—	—
- rental of properties	2,297	2,372	2,090	—	—	—
- rendering of services	781	1,105	1,044	1,090	1,275	404
- others	1,498	1,266	448	3,291	2,877	1,172
	6,713	7,523	6,159	4,381	4,152	1,576
- dividend income						
Quoted						
- subsidiaries	—	—	—	3,883	3,754	3,252
- associates	—	—	—	24	24	13
- investments	37	23	23	1	1	1
Unquoted						
- subsidiaries	—	—	—	28,181	24,910	7,752
- associates and joint ventures	95	521	22	128	142	130
- investments	9	19	—	9	19	—
	141	563	45	32,226	28,850	11,148
- interest income	5,487	5,738	4,101	3,315	3,091	2,139
Total revenue	250,976	240,263	178,741	130,820	121,202	73,460

25. REVENUE (continued)***Disaggregation of revenue from contracts with customers***

In the following table, revenue is disaggregated by primary geographical markets and major products/services lines.

**Group
2018***In RM Mil***Primary geographical
markets**

	Upstream	Gas and New Energy	Downstream	Corporate and others	Total
- Asia	16,007	32,792	34,949	—	83,748
- Malaysia	10,999	9,626	41,368	6,276	68,269
- Japan	533	23,629	1,753	—	25,915
- South Africa	49	54	23,874	—	23,977
- Rest of the world ^a	9,033	8,108	19,585	—	36,726
	36,621	74,209	121,529	6,276	238,635

**Major products/services
lines**

- Petroleum products	380	—	88,778	—	89,158
- Crude oil and condensates	27,677	242	12,500	—	40,419
- Liquefied natural gas	—	53,937	—	—	53,937
- Natural and processed gas	8,156	19,558	143	—	27,857
- Petrochemical products	—	—	19,071	—	19,071
- Construction contracts	—	—	—	1,482	1,482
- Sales of properties	—	—	—	272	272
- Others	408	472	1,037	4,522	6,439
	36,621	74,209	121,529	6,276	238,635

Revenue from contracts with
customers

Other revenue

Total revenue

	36,621	74,209	121,529	6,276	238,635
	2,680	1,071	611	7,979	12,341
	39,301	75,280	122,140	14,255	250,976

^a Comprises revenue individually not material.

25. REVENUE (continued)*Disaggregation of revenue from contracts with customers (continued)*

Group 2019					
<i>In RM Mil</i>					
	Upstream	Gas and New Energy	Downstream	Corporate and others	Total
Primary geographical markets					
- Asia	15,139	27,461	27,511	—	70,111
- Malaysia	5,465	20,644	43,185	5,276	74,570
- Japan	525	18,871	1,319	—	20,715
- South Africa	—	—	21,922	—	21,922
- Rest of the world ^a	13,877	5,605	19,639	—	39,121
	35,006	72,581	113,576	5,276	226,439
Major products/services lines					
- Petroleum products	313	—	85,249	—	85,562
- Crude oil and condensates	25,480	147	10,165	—	35,792
- Liquefied natural gas	—	51,298	—	—	51,298
- Natural and processed gas	8,511	20,453	118	—	29,082
- Petrochemical products	—	—	16,022	—	16,022
- Construction contracts	—	—	—	738	738
- Sales of properties	—	—	—	232	232
- Others	702	683	2,022	4,306	7,713
	35,006	72,581	113,576	5,276	226,439
Revenue from contracts with customers	35,006	72,581	113,576	5,276	226,439
Other revenue	2,760	2,085	581	8,398	13,824
Total revenue	37,766	74,666	114,157	13,674	240,263

^a Comprises revenue individually not material.

25. REVENUE (continued)*Disaggregation of revenue from contracts with customers (continued)*

Group 2020					
<i>In RM Mil</i>	Upstream	Gas and New Energy	Downstream	Corporate and others	Total
Primary geographical markets					
- Asia	11,467	19,684	23,950	—	55,101
- Malaysia	2,875	13,150	29,532	4,209	49,766
- Japan	606	16,203	776	—	17,585
- South Africa	—	—	14,894	—	14,894
- Rest of the world ^a	12,216	4,305	14,569	—	31,090
	27,164	53,342	83,721	4,209	168,436
Major products/services lines					
- Petroleum products	251	—	62,454	—	62,705
- Crude oil and condensates	19,147	227	4,336	—	23,710
- Liquefied natural gas	—	37,668	1	—	37,669
- Natural and processed gas	7,377	14,871	57	—	22,305
- Petrochemical products	—	—	14,177	—	14,177
- Construction contracts	—	—	—	1,125	1,125
- Sales of properties	—	—	—	117	117
- Others	389	576	2,696	2,967	6,628
	27,164	53,342	83,721	4,209	168,436
Revenue from contracts with customers	27,164	53,342	83,721	4,209	168,436
Other revenue	1,570	1,279	462	6,994	10,305
Total revenue	28,734	54,621	84,183	11,203	178,741

^a Comprises revenue individually not material.

25. REVENUE (continued)*Disaggregation of revenue from contracts with customers (continued)***Company***In RM Mil***Primary geographical markets**

	2018	2019	2020
- Asia	16,633	10,608	6,160
- Malaysia	69,263	70,225	49,246
- Japan	1,002	606	530
- South Africa	103	362	—
- Rest of the world	3,897	3,308	2,661
	90,898	85,109	58,597

Major products/services lines

- Crude oil and condensates	44,649	39,402	23,921
- Liquefied natural gas	1,804	4,146	3,269
- Natural and processed gas	44,445	41,561	31,407
	90,898	85,109	58,597

Revenue from contracts with customers

90,898 85,109 58,597

Other revenue

39,922 36,093 14,863

Total revenue

130,820 121,202 73,460

*Nature of goods and services***Sales of oil and gas products**

Revenue from sales of oil and gas products namely petroleum products, crude oil and condensates, liquefied natural gas, natural gas, processed gas and petrochemicals is recognised when control of the goods has transferred to the customers. Depending on the terms of the contract with the customer, controls transfer either upon delivery of the goods to a location specified by the customers or upon delivery of the goods on board vessels or tankers for onward delivery to the customers. There is no significant financing element present as the Group's and the Company's sales of oil and gas products are made either on cash or credit terms as per the industry practices.

Construction contracts

Revenue from construction contracts is recognised progressively based on percentage of completion method determined by reference to the completion of the physical proportion of contract work to date. The amount receivable from the customers is based on agreed milestones as per the terms of the contract.

Sales of properties

Revenue from sales of properties is recognised when control of the properties has been transferred to the buyer. There is no significant financing element present as the Group's sales of properties are made on credit terms as per the industry practices.

25. REVENUE (continued)***Transaction price allocated to remaining performance obligations***

The Group and the Company entered into long-term contracts for the sales of various oil and gas products with remaining tenures ranging between 2 to 22 years (2019: 2 to 20 years; 2018: 2 to 22 years). The future revenue of the Group and of the Company is dependent on the prevailing market price, exchange rate on the transaction date as well as production volume, which is based on contractual requirements.

In addition to the above, the Group and the Company entered into spot and short term contracts for the sales of various oil and gas products with remaining tenures less than 1 year.

The Group also entered into long-term construction contracts. The following table shows revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December 2020. The disclosure is only providing information for contracts that have a duration of more than one year.

Group*In RM Mil*

Construction contracts

Under 1 year	1-5 years	Total
2,812	5,137	7,949

26. OPERATING PROFIT/(LOSS)

<i>In RM Mil</i>	Group			Company		
	2018	2019	2020	2018	2019	2020
<i>Included in operating profit are the following charges:</i>						
Audit fees	35	38	40	2	2	2
Amortisation of:						
- intangible assets	2,942	2,778	1,422	—	—	10
- contract costs	—	—	24	—	—	—
- prepaid lease payments	61	—	—	—	—	—
Bad debts written off:						
- trade and other receivables	16	18	65	1	7	12
Intangible asset written off	—	—	20	—	—	20
Contribution to Tabung Amanah Negara	500	600	100	500	600	100
Depreciation of property, plant and equipment and investment properties	31,324	35,900	34,580	2,939	3,656	2,114
Net impairment losses on:						
- property, plant and equipment	—	6,539	25,702	170	—	2,092
- investment properties	—	—	12	—	—	—
- intangible assets	20	204	5,648	—	—	—
- investment in an associate	65	230	151	—	—	—
- trade receivables and contract assets arising from contracts with customers	—	69	—	172	—	—
- loan and advances to subsidiaries	—	—	—	—	—	353
- loan and advances to joint ventures	101	62	71	—	—	—
- investments in subsidiaries	—	—	—	105	2,889	51
- other investments	4	251	—	—	—	—
Net impairment/write-off on well costs	653	1,248	2,246	—	—	—
Net inventories written down to net realisable value/written off	108	35	37	—	—	—
Loss on disposal of:						
- intangible assets	378	—	—	—	—	—
- property, plant and equipment	53	69	19	—	—	—
Property, plant and equipment written off	95	136	234	1	—	—
Rental of facilities and equipments	2,192	296	220	2,304	52	51
Research and development expenditure	103	132	3	6	11	2
Staff costs:						
- wages, salaries and others	10,291	11,488	10,080	2,269	2,523	2,281
- contributions to pension fund	1,062	1,145	1,184	308	331	344
Write-off trade receivables and loss of remeasurement of finance lease receivables	—	—	846	—	—	—
Net loss on:						
- derivatives	31	64	275	—	—	—
- foreign exchange	1,105	235	1,093	184	458	1,162

26. OPERATING PROFIT/(LOSS) (continued)

<i>In RM Mil</i>	Group			Company		
	2018	2019	2020	2018	2019	2020
<i>and credits:</i>						
Gain on bargain purchase	—	—	247	—	—	—
Gain on disposal/partial disposal of:						
- other investments	742	19	—	28	—	—
- property, plant and equipment	6	61	236	—	430	2
- joint venture	—	100	—	—	—	—
- subsidiaries	1,170	282	171	84	5,403	1,546
Bad debts recovered	—	—	21	—	—	—
Interest income - others	1,022	1,151	737	3,745	3,648	3,189
Rental income on land and buildings	410	236	495	355	214	468
Net write-back of impairment losses on:						
- property, plant and equipment	3,331	—	—	—	—	—
- receivables	1,592	—	37	—	93	13
- loan and advances to subsidiaries	—	—	—	38	10	—
Net change in fair value of cess receivables	—	—	—	3,019	666	694
Net change in contract liabilities	89	422	481	444	1,691	858

27. FINANCING COSTS

<i>In RM Mil</i>	Group			Company		
	2018	2019	2020	2018	2019	2020
<i>Recognised in profit or loss:</i>						
Interest expense of financial liabilities that are at amortised cost	2,742	2,624	2,781	1,835	1,696	1,872
Interest expense on lease liabilities	—	596	845	—	511	273
Other finance costs	1,965	514	507	1,183	2,242	1,390
	4,707	3,734	4,133	3,018	4,449	3,535
<i>Capitalised into qualifying assets:</i>						
- Term borrowings	93	1,213	1,023	—	—	—
- Lease liabilities	—	301	172	—	—	—
	93	1,514	1,195	—	—	—
Total financing cost	4,800	5,248	5,328	3,018	4,449	3,535

28. TAX EXPENSE

<i>In RM Mil</i>	Group			Company		
	2018	2019	2020	2018	2019	2020
Current tax expenses						
Malaysia						
Current year	21,165	18,435	10,177	8,789	7,421	3,771
Prior year	2,232	438	1,664	929	1,014	1,690
Overseas						
Current year	922	1,222	791	—	—	—
Prior year	(18)	(13)	94	—	—	—
Total current tax expenses	24,301	20,082	12,726	9,718	8,435	5,461
Deferred tax expenses						
Origination and reversal of temporary differences	(2,932)	(2,991)	(2,977)	(4,557)	(1,349)	3,484
Under/(over) provision in prior year	51	(593)	(1,041)	885	772	—
Total deferred tax expenses	(2,881)	(3,584)	(4,018)	(3,672)	(577)	3,484
Total tax expenses	21,420	16,498	8,708	6,046	7,858	8,945

28. TAX EXPENSE (continued)

A reconciliation of income tax expense applicable to profit/(loss) 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:

<i>In RM Mil</i>	%	2018	%	2019	%	2020
Group						
Profit/(Loss) before taxation		<u>76,730</u>		<u>56,970</u>		<u>(12,321)</u>
Taxation at Malaysian statutory tax rate	24	18,415	24	13,673	24	(2,957)
Effect of different tax rates in foreign jurisdictions	—	(9)	(1)	(766)	9	(1,142)
Effect of different tax rates between corporate income tax and petroleum income tax	7	5,708	4	2,530	(10)	1,260
Effect of changes in tax rates	—	—	—	(84)	—	21
Non deductible expenses, net of non assessable income	3	2,204	6	3,137	(64)	7,945
Tax exempt income	(3)	(2,481)	(2)	(922)	5	(575)
Tax incentives	(1)	(953)	(1)	(464)	14	(1,729)
Effect of deferred tax benefits not recognised	—	279	—	—	(27)	3,364
Effect of deferred tax benefits previously not recognised	(5)	(4,146)	(1)	(481)	22	(2,731)
Reversal of deferred tax benefits previously recognised	—	—	—	—	(36)	4,383
Foreign exchange translation difference	—	138	—	43	(1)	152
	<u>25</u>	<u>19,155</u>	<u>29</u>	<u>16,666</u>	<u>(64)</u>	<u>7,991</u>
Under/(Over) provision in prior years		2,265		(168)		717
Tax expense		<u>21,420</u>		<u>16,498</u>		<u>8,708</u>
Company						
Profit before taxation		<u>57,044</u>		<u>49,452</u>		<u>17,655</u>
Taxation at Malaysian statutory tax rate	24	13,691	24	11,868	24	4,237
Effect of different tax rates between corporate income tax and petroleum income tax	6	3,356	6	2,985	6	1,072
Non deductible expenses, net of non assessable income	(2)	(1,062)	(3)	(1,303)	2	379
Effect of deferred tax benefits not recognised	—	—	—	188	2	373
Reversal of deferred tax benefits previously recognised	(7)	(4,019)	—	—	25	4,383
Tax exempt income	(14)	(7,734)	(16)	(7,666)	(18)	(3,189)
	<u>7</u>	<u>4,232</u>	<u>11</u>	<u>6,072</u>	<u>41</u>	<u>7,255</u>
Under provision in prior years		1,814		1,786		1,690
Tax expense		<u>6,046</u>		<u>7,858</u>		<u>8,945</u>

In measuring the provision for taxation and deferred taxation at reporting date, the management applied judgments and estimates in relation to certain interpretation of tax legislation in arriving at the Company's tax position. Judgments and estimates are based on the current tax legislation and best available information as at the reporting date. The management continuously reassesses its judgments and estimates whenever there is a change in circumstances.

29. DIVIDENDS

2018

In RM Mil

Total

In respect of financial year ended 31 December 2017

Final dividend of RM160,000 per ordinary share	16,000
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In respect of financial year ended 31 December 2018

First interim tax exempt dividend of RM30,000 per ordinary share	3,000
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Second interim tax exempt dividend of RM20,000 per ordinary share	2,000
---	-------

Special tax exempt dividend of RM30,000 per ordinary share	3,000
--	-------

Special tax exempt dividend of RM20,000 per ordinary share	2,000
--	-------

Special tax exempt dividend of RM300,000 per ordinary share	30,000
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Total	56,000
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2019

In RM Mil

In respect of financial year ended 31 December 2018

Final dividend of RM240,000 per ordinary share	24,000
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Total	24,000
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2020

In RM Mil

In respect of financial year ended 31 December 2019

Final dividend of RM240,000 per ordinary share	24,000
--	--------

In respect of financial year ended 31 December 2020

Dividend of RM100,000 per ordinary share	10,000
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Total	34,000
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The Directors had on 25 February 2021 declared a dividend of RM180,000 per ordinary share amounting to RM18 billion. This dividend has not been accounted for in the financial statements for the year ended 31 December 2020.

30. NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES

The cash (used in)/generated from investing activities comprise:

<i>In RM Mil</i>	Group			Company		
	2018	2019	2020	2018	2019	2020
Acquisition of:						
- subsidiaries, net of cash acquired (Note 32)	—	(1,763)	(158)	—	—	—
- additional shares in subsidiaries	—	—	—	(24,176)	(5,193)	(5,008)
Dividends received	1,120	1,666	1,279	32,226	28,850	11,148
Investment in:						
- associates, joint ventures and unquoted companies	(125)	(807)	(82)	—	—	—
- securities and other investments	(4,222)	(5,269)	(4,237)	(1,478)	(3,124)	(2,572)
Long-term receivables and advances (to)/repaid from:						
- subsidiaries	—	—	—	23,415	(2,934)	4,235
- associates and joint ventures	(1,648)	(3,547)	(861)	(1,558)	(3,547)	(861)
Proceeds from disposal/partial disposal of:						
- investment in subsidiaries, net of cash disposed (Note 33)	4,044	187	64	434	6,227	3,048
- investment in a joint venture	—	687	—	—	—	—
- property, plant and equipment	445	617	584	—	—	2
- securities and other investments	5,594	1,295	2,944	184	889	1,284
Proceeds from redemption of preference shares in joint ventures	221	—	670	—	—	150
Purchase of property, plant and equipment, investment properties, intangible assets, land held for development and prepaid lease payments	(46,798)	(45,243)	(33,117)	(427)	(936)	(486)
Proceeds from government grant	240	—	—	—	—	—
Redemption of preference shares in subsidiaries	—	—	—	7,936	1,335	1,374
	<u>(41,129)</u>	<u>(52,177)</u>	<u>(32,914)</u>	<u>36,286</u>	<u>21,567</u>	<u>12,314</u>

31. NET CASH USED IN FINANCING ACTIVITIES

The cash used in financing activities comprise:

<i>In RM Mil</i>	Group			Company		
	2018	2019	2020	2018	2019	2020
Dividends paid	(26,000)	(54,000)	(34,000)	(26,000)	(54,000)	(34,000)
Dividends paid to non-controlling interests	(5,998)	(5,638)	(4,703)	—	—	—
Drawdown of:						
- Islamic financing facilities	711	275	1,691	—	—	—
- term loans	35,070	9,270	11,247	—	—	—
- Notes and Bonds	—	—	26,097	—	—	26,097
- bankers' acceptances	—	447	1,311	—	—	—
- revolving credits	1,882	210	2,738	—	—	—
Payment of lease liabilities (Note (a))	—	(2,921)	(4,232)	—	(1,851)	(805)
Repayment of:						
- Islamic financing facilities	(870)	(691)	(5,983)	—	—	(5,368)
- term loans	(4,869)	(9,479)	(11,916)	—	—	—
- Notes and Bonds	—	(12,569)	—	—	(12,569)	—
- bankers' acceptances	—	(116)	(117)	—	—	—
- revolving credits	(1,910)	(822)	(2,677)	—	—	—
Payment to non-controlling interests on redemption of redeemable preference shares	—	(73)	—	—	—	—
Payment to a non-controlling interest on additional equity interest	(634)	—	—	—	—	—
Proceeds from partial disposal of equity interest to non-controlling interests	435	6,227	3,077	—	—	—
Proceeds from shares issued to a non-controlling interest	21	—	—	—	—	—
	<u>(2,162)</u>	<u>(69,880)</u>	<u>(17,467)</u>	<u>(26,000)</u>	<u>(68,420)</u>	<u>(14,076)</u>

(a) Payment of lease liabilities comprises mainly of principal and interest paid in relation to lease liabilities.

31. NET CASH USED IN FINANCING ACTIVITIES (continued)

Reconciliation of movement of liabilities to cash flows arising from financing activities:

2018	Group		Company	
<i>In RM Mil</i>	Borrowings	Dividends	Borrowings	Dividends
Balance at 1 January 2018	64,149	—	38,360	—
<i>Changes from financing cash flows</i>				
Drawdown/(Repayment) of:				
Term loans	30,201	—	—	—
Islamic financing facilities	(159)	—	—	—
Revolving credits	(28)	—	—	—
Bank overdrafts	466	—	—	—
Dividends paid	—	(26,000)	—	(26,000)
Total changes from financing cash flows	30,480	(26,000)	—	(26,000)
<i>Changes arising from losing control of subsidiaries</i>				
Term loans	(27,074)	—	—	—
<i>The effect of changes in foreign exchange rates</i>				
Islamic financing facilities	96	—	110	—
Term loans	240	—	—	—
Revolving credits	(21)	—	—	—
Bank overdrafts	(32)	—	—	—
Notes and Bonds	698	—	691	—
	981	—	801	—
<i>Liability-related other changes</i>				
Dividend declared	—	56,000	—	56,000
Financing costs	36	—	36	—
Total liability-related other changes	36	56,000	36	56,000
Balance at 31 December 2018	68,572	30,000	39,197	30,000

31. NET CASH USED IN FINANCING ACTIVITIES (continued)

2019	Group		Company	
<i>In RM Mil</i>	Borrowings	Dividends	Borrowings	Dividends
Balance at 1 January 2019	68,572	30,000	39,197	30,000
Effect of adoption of MFRS 16	10,771	—	10,537	—
Balance at 1 January 2019, restated	79,343	30,000	49,734	30,000
<i>Changes from financing cash flows</i>				
(Repayment)/Drawdown of:				
Term loans	(209)	—	—	—
Islamic financing facilities	(416)	—	—	—
Revolving credits	(728)	—	—	—
Notes and Bonds	(12,569)	—	(12,569)	—
Bankers' acceptances	447	—	—	—
Lease liabilities	(2,324)	—	(1,851)	—
Bank overdrafts	(85)	—	—	—
Dividends paid	—	(54,000)	—	(54,000)
Total changes from financing cash flows	(15,884)	(54,000)	(14,420)	(54,000)
<i>Changes arising from obtaining or losing control of subsidiaries or other business</i>				
Term loans	536	—	—	—
Lease liabilities	82	—	—	—
Bank overdrafts	34	—	—	—
	652	—	—	—
<i>The effect of changes in foreign exchange rates</i>				
Islamic financing facilities	(56)	—	78	—
Term loans	(255)	—	—	—
Lease liabilities	(440)	—	117	—
Bankers' acceptances	2	—	—	—
Bank overdrafts	3	—	—	—
Notes and Bonds	(239)	—	(233)	—
	(985)	—	(38)	—
<i>Liability-related other changes</i>				
Dividend declared	—	24,000	—	24,000
Acquisition of new leases	4,754	—	—	—
Termination of lease	(2)	—	(4,553)	—
Financing costs	860	—	530	—
Total liability-related other changes	5,612	24,000	(4,023)	24,000
Balance at 31 December 2019	68,738	—	31,253	—

31. NET CASH USED IN FINANCING ACTIVITIES (continued)

2020	Group		Company	
<i>In RM Mil</i>	Borrowings	Dividends	Borrowings	Dividends
Balance at 1 January 2020	68,738	—	31,253	—
<i>Changes from financing cash flows</i>				
(Repayment)/Drawdown of:				
Term loans	(669)	—	—	—
Islamic financing facilities	(4,292)	—	(5,368)	—
Revolving credits	61	—	—	—
Notes and Bonds	26,097	—	26,097	—
Bankers' acceptances	1,194	—	—	—
Lease liabilities	(3,384)	—	(805)	—
Bank overdrafts	247	—	—	—
Dividends paid	—	(34,000)	—	(34,000)
Total changes from financing cash flows	19,254	(34,000)	19,924	(34,000)
<i>Changes arising from obtaining or losing control of subsidiaries or other business</i>				
Lease liabilities	37	—	—	—
<i>The effect of changes in foreign exchange rates</i>				
Islamic financing facilities	266	—	247	—
Term loans	(111)	—	—	—
Lease liabilities	(736)	—	(15)	—
Bankers' acceptances	13	—	—	—
Bank overdrafts	1	—	—	—
Notes and Bonds	(2,459)	—	(2,454)	—
Revolving credits	(23)	—	—	—
	(3,049)	—	(2,222)	—
<i>Liability-related other changes</i>				
Dividend declared	—	34,000	—	34,000
Acquisition of new leases	1,655	—	—	—
Re-measurement of lease liabilities	760	—	3,611	—
Financing costs	834	—	288	—
Total liability-related other changes	3,249	34,000	3,899	34,000
Balance at 31 December 2020	88,229	—	52,854	—

32. ACQUISITION OF SUBSIDIARIES/ BUSINESS/ PARTICIPATING INTERESTS

2020

Acquisition of a Subsidiary

On 4 September 2020, PETRONAS via its wholly-owned subsidiary, Amplus Energy Solutions Pte. Ltd. (“AESPL”), has fulfilled all the conditions of its Sale and Purchase Agreement entered with ACME Solar Holding Private Limited for the acquisition of 100% equity interest in Acme Rewari Solar Private Limited and Acme Kurukshetra Solar Private Limited (“ACME”). ACME are operating utility-based plants in the state of Karnataka, India. Following this acquisition, ACME has become a wholly-owned subsidiary of AESPL.

The results contributed by ACME from the date of acquisition is not material in relation to the Group’s financial statements.

Step up acquisition of a Joint Venture

On 15 June 2020, PETRONAS via its wholly-owned subsidiary, KLCC Holdings Sdn. Bhd. (“KLCCH”), has fulfilled all the conditions of the Third Supplemental Joint Venture Agreement signed with QD Asia Pacific Ltd. for the subscription of additional 18.75% equity interests in Cititower Sdn. Bhd. (“CTSB”). With the completion of the transaction, KLCCH now holds 68.75% equity interests in CTSB which has become a partly-owned subsidiary of KLCCH. The principal activity of CTSB is property investment.

The results contributed by this subsidiary from the date of acquisition is not material in relation to the Group’s financial statements.

2019

Acquisition of Subsidiaries

On 23 April 2019, PETRONAS via its wholly-owned subsidiary, PETRONAS International Power Corporation B.V. (“PIPC BV”), has fulfilled all the conditions of its Share Purchase Agreement signed with ISQ Asia Aggregator Pte. Ltd., a wholly-owned entity of ISQ Asia Aggregator Ltd. for acquisition of 100% equity interest in Amplus Energy Solutions Pte. Ltd. (“AESPL”). AESPL caters for commercial and industrial customers, specialising in end-to-end solutions for rooftop and ground-mounted solar power projects across India and the Middle East. Following this acquisition, AESPL has become a wholly-owned subsidiary of PIPC BV.

On 12 September 2019, PETRONAS through its subsidiary, PETRONAS Chemicals Group Berhad (“PCG”) has fulfilled all the conditions of its Sale and Purchase Agreement entered on 15 May 2019 to acquire 100% of the shares in Da Vinci Group B.V. (“Da Vinci”) from its shareholders including, among others, funds managed by Bencis Capital Partners. Following this acquisition, Da Vinci has become a wholly-owned subsidiary of PCG.

The net profit contributed by these subsidiaries from the date of acquisition is not material in relation to the consolidated net profit of the Group for the year.

32. ACQUISITION OF SUBSIDIARIES/ BUSINESS/ PARTICIPATING INTERESTS (continued)**2019 (continued)*****Acquisition of Subsidiaries (continued)***

The effect of acquisitions on the cash flows and fair values of assets and liabilities acquired are as follows:

<i>In RM Mil</i>	At fair value
Non-current assets	1,026
Non-current liabilities	(600)
Current assets	606
Current liabilities	(380)
Net identifiable assets and liabilities	652
Less: Non-controlling interest	(6)
Add: Goodwill on acquisition	1,129
Purchase consideration	1,775
Add: Settlement of existing loans	231
Less: Deferred consideration	(81)
Less: Cash and cash equivalents of acquired subsidiaries	(162)
Cash flow on acquisition, net of cash acquired (Note 30)	1,763

Acquisition of Business

On 27 December 2019, PETRONAS through its wholly-owned subsidiary PETRONAS Petr leo Brasil Ltda. (“PPBL”) completed its transaction to acquire 50% participating interest in the Tartaruga Verde producing field (BM-C-36 concession) and Module III of the Espadarte field (Espadarte Concession), both located in deep water of the Campos Basin, offshore Brazil.

2018***Acquisition of Participating Interests***

On 24 April 2018, PETRONAS through its wholly-owned entity, North Montney LNG Limited Partnership (“NMLLP”) has entered into a Purchase and Sales Agreement for an equity position in the LNG Canada project (“the Project”) in Kitimat, British Columbia, Canada. The transaction completed on 17 July 2018 after receipt of international regulatory approvals and the completion of other associated agreements, PETRONAS (through NMLLP) owns 25% Participating Interest (“PI”) of the Project, while the rest are Shell Canada Energy at 40% PI, PetroChina Canada Ltd. at 15% PI, Diamond LNG Canada Ltd. at 15% PI and Kogas Canada LNG Ltd. at 5% PI. On 1 October 2018, the LNG Canada Joint Venture declared that the LNG Canada Joint Venture Participants have made a positive Final Investment Decision for the LNG Canada Project.

On 2 September 2018, PETRONAS through its wholly-owned subsidiary, PC Oman Ventures Ltd. entered into an Asset Sale and Purchase Agreement with state-owned Oman Oil Company through its subsidiary, Makarim Gas Development LLC to acquire 10% participating interest in Block 61 of the Sultanate of Oman. The Group completed the acquisition on 27 December 2018 upon completion of all Condition Precedent and other closing conditions.

33. DISPOSAL/PARTIAL DISPOSAL OF SUBSIDIARIES AND EQUITY INTERESTS**2020*****Disposal of Subsidiaries***

PETRONAS via its wholly-owned subsidiary, PETRONAS Energy Trading Limited ("PETL"), disposed off Humbly Grove Energy Limited and its subsidiaries. The results of these subsidiaries from 1 January 2020 to the date of disposal is not material in relation to the Group's financial statements.

Partial Disposal of Equity Interests in MISC Berhad ("MISC") and KLCC Property Holdings Berhad ("KLCCP")

On 10 December 2020, PETRONAS has partially disposed off its equity interests in MISC Berhad ("MISC") and KLCC Property Holdings Berhad ("KLCCP") of 6.56% and 8.53% respectively. With the completion of the transaction, the Group now holds 51.00% and 66.94% equity interests in MISC and KLCCP respectively.

2019***Divestment of Engen International Holdings (Mauritius) Limited ("EIHL") to Vivo Energy Investments B.V.***

On 1 March 2019, Engen Holdings (Pty) Ltd, a subsidiary of PETRONAS has completed a share sale transaction to dispose its 100% equity interest in Engen International Holdings (Mauritius) Limited ("EIHL") to Vivo Energy plc's subsidiary, Vivo Energy Investments B.V. for a consideration amount of USD203.9 million comprising of 63.2 million new shares in Vivo Energy plc and USD62.1 million in cash.

The net profit contributed by these subsidiaries from 1 January 2020 to the date of divestment is not material in relation to the consolidated net profit of the Group for the year.

The net effect of the above disposals on the cash flows and carrying amount of net assets and liabilities disposed are as follows:

<i>In RM Mil</i>	Carrying amount at disposal date
Property, plant and equipment	558
Other assets	435
Borrowings	(4)
Other liabilities	(301)
Realisation of foreign currency translation upon disposal	(260)
	428
Gain on disposal of subsidiaries	282
Purchase consideration	710
Less: Non cash consideration	(429)
Less: Cash and cash equivalents of subsidiaries disposed	(94)
Cash flow on disposal of subsidiaries, net of cash disposed (Note 30)	187

33. DISPOSAL/PARTIAL DISPOSAL OF SUBSIDIARIES AND EQUITY INTERESTS (continued)

2019 (continued)

Partial Disposal of Equity Interest in PETRONAS LNG 9 Sdn. Bhd. ("PL9SB")

On 31 May 2019, PETRONAS disposed 5% of its equity interest in PETRONAS LNG 9 Sdn. Bhd. ("PL9SB") to Sabah International Petroleum Sdn. Bhd.. With the completion of this transaction, the Company holds 65% interest in PL9SB.

Partial Disposal of Equity Interest in MISC Berhad ("MISC"), PETRONAS Dagangan Berhad ("PDB") and PETRONAS Gas Berhad ("PGB")

On 9 December 2019, PETRONAS has partially disposed its equity interest in MISC Berhad ("MISC"), PETRONAS Dagangan Berhad ("PDB") and PETRONAS Gas Berhad ("PGB") of 5.07%, 5.96%, and 9.63% respectively. With the completion of this transaction, the Company holds 57.6%, 63.9% and 51.0% interest in MISC, PDB and PGB respectively.

2018

Divestment of 50% of equity interests to Aramco Overseas Holdings Coöperatief U.A. ("AOHC")

PETRONAS, via its subsidiaries, PETRONAS Refinery & Petrochemical Corporation Sdn. Bhd. ("PRPC") and PETRONAS Chemicals Group Berhad ("PCG") signed a Share Purchase Agreement with Saudi Arabian Oil Company ("Saudi Aramco") on 28 February 2017, allowing Saudi Aramco's equity participation in PETRONAS' Refinery & Petrochemical Integrated Development ("RAPID") project in the southern Malaysian state of Johor.

On 28 March 2018, the Group completed the divestments of its 50% equity interests in Pengerang Refining Company Sdn. Bhd. (formerly known as ("fka") PRPC Refinery & Cracker Sdn. Bhd. ("PRPC RC")), a wholly-owned subsidiary of PRPC and Pengerang Petrochemical Company Sdn. Bhd. (fka PRPC Polymers Sdn. Bhd. ("PRPC Polymers")), a wholly-owned subsidiary of PCG respectively to Aramco Overseas Holdings Coöperatief U.A. ("AOHC"), a wholly-owned subsidiary of Saudi Aramco for a total consideration of RM3,011 million. Pursuant to this, PRPC RC and PRPC Polymers ceased to be subsidiaries of the Group and have been accounted for as a joint venture and a joint operation respectively, in accordance with MFRS 11 *Joint Arrangements*.

The net profit contributed by these subsidiaries from 1 January 2018 to the date of divestment is not material in relation to the consolidated net profit of the Group for the period.

Divestment of 100% of equity interest to Khazanah Nasional Berhad

On 22 March 2018, PETRONAS, via its wholly-owned subsidiary, PETRONAS Hartabina Sdn. Bhd. signed a Share Sale and Purchase Agreement for the sale of PETRONAS' 100% interest in Prince Court Medical Centre Sdn. Bhd. ("PCMC") to Khazanah Nasional Berhad ("Khazanah") (via its wholly-owned subsidiary, Pulau Memutik Ventures Sdn. Bhd.) for a total consideration of RM1,033 million. The divestment was completed in August 2018.

The net profit contributed by this subsidiary from 1 January 2018 to the date of divestment is not material in relation to the consolidated net profit of the Group for the period.

33. DISPOSAL/PARTIAL DISPOSAL OF SUBSIDIARIES AND EQUITY INTEREST (continued)

2018 (continued)

Divestment of 100% of equity interest to Khazanah Nasional Berhad (continued)

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:

<i>In RM Mil</i>	Carrying amount at disposal date
Property, plant and equipment	33,320
Deferred tax asset	42
Other assets	3,130
Realisation of foreign currency translation upon disposal	162
Borrowings	(27,074)
Other liabilities	(5,206)
	4,374
Gain on disposal of subsidiaries	1,170
Purchase consideration	5,544
Less: Cash and cash equivalents of subsidiaries disposed	(1,500)
Cash flow on disposal of subsidiaries, net of cash disposed (Note 30)	4,044

34. COMMITMENTS

Outstanding commitments in respect of capital expenditure at the end of the reporting year not provided for in the financial statements are:

<i>In RM Mil</i>	Group			Company		
	2018	2019	2020	2018	2019	2020
Capital expenditure						
<i>Approved and contracted for</i>						
Less than one year	20,114	18,832	11,740	190	176	477
Between one and five years	30,280	24,833	21,032	2,991	2,744	3,149
More than five years	—	—	82	—	—	—
	<u>50,394</u>	<u>43,665</u>	<u>32,854</u>	<u>3,181</u>	<u>2,920</u>	<u>3,626</u>
<i>Approved but not contracted for</i>						
Less than one year	12,901	20,723	13,395	5	1	—
Between one and five years	41,382	57,085	61,968	1,785	4	84
More than five years	—	—	1,380	—	—	—
	<u>54,283</u>	<u>77,808</u>	<u>76,743</u>	<u>1,790</u>	<u>5</u>	<u>84</u>
	<u>104,677</u>	<u>121,473</u>	<u>109,597</u>	<u>4,971</u>	<u>2,925</u>	<u>3,710</u>
Share of capital expenditure of joint venture						
<i>Approved and contracted for</i>						
Less than one year	7,450	3,565	8,432	—	—	—
Between one and five years	3,137	19,192	10,833	—	—	—
More than five years	2,006	2,117	898	—	—	—
	<u>12,593</u>	<u>24,874</u>	<u>20,163</u>	<u>—</u>	<u>—</u>	<u>—</u>
<i>Approved but not contracted for</i>						
Less than one year	6,084	1,947	3,498	—	—	—
Between one and five years	26,810	23,310	23,530	—	—	—
More than five years	179	188	9,248	—	—	—
	<u>33,073</u>	<u>25,445</u>	<u>36,276</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>45,666</u>	<u>50,319</u>	<u>56,439</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>150,343</u>	<u>171,792</u>	<u>166,036</u>	<u>4,971</u>	<u>2,925</u>	<u>3,710</u>

35. CONTINGENT LIABILITIES

Material litigation

In 2019, the State of Sarawak brought a legal suit against PETRONAS in the Kuching High Court, alleging that PETRONAS failed to make payments of RM1,345 million for the state sales tax (“SST”) imposed on petroleum products including interests and penalties under the Sarawak Sales Tax Ordinance 1998 (as amended in 2018). In response, PETRONAS had filed a judicial review to challenge the jurisdiction of the State of Sarawak over the imposition of sales tax on petroleum products. At the same time, PETRONAS filed a defence against the civil suit and a stay of proceedings of the civil suit pending the disposal of the judicial review and determination of certain points of law to the Federal Court.

Notwithstanding PETRONAS’ legal position, in order to achieve mutual benefit to PETRONAS and State of Sarawak and to create a stable environment for investment in Sarawak, PETRONAS on 3 August 2020, withdrew its appeal against the High Court of Kuching’s decision in relation to the judicial review. On 6 August 2020, Sarawak State also withdrew their civil suit against PETRONAS. PETRONAS and the affected subsidiaries have accordingly submitted their respective SST returns. On 15 September 2020, PETRONAS and the affected subsidiaries paid a total of RM2,957 million to the State of Sarawak, being the final and full settlement for the financial year 2019. In addition, PETRONAS has achieved a commercial resolution with the State of Sarawak on the SST and other matters raised by the State of Sarawak with the entry into the Commercial Settlement Agreement between PETRONAS and the State of Sarawak on 7 December 2020.

There were no other material contingent liabilities or contingent assets since the last audited consolidated statement of financial position as at 31 December 2019.

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.

36. RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and an entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Company.

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		
<i>In RM Mil</i>	2018	2019	2020
Director fees, emoluments, remuneration and gratuity	30	19	26

The estimated monetary value of Directors' benefits-in-kind is RM78,000 (2019: RM100,000, 2018: RM78,000).

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			
<i>In RM Mil</i>	2018	2019	2020
Federal and State Governments of Malaysia:			
Petroleum proceeds	(11,459)	(9,826)	(6,404)
Lease income	1,446	1,420	1,286
Sales of petroleum products	322	307	228
Sales of utilities	158	160	179
Building maintenance income	45	100	342
Government of Malaysia's related entities:			
Sales of petroleum products and processed gas	7,962	11,369	5,490
Associate companies:			
Sales of petrochemical products and processed gas	7,443	8,247	7,617
Joint arrangements:			
Sales of industrial utilities	264	1,200	1,640
Allocated expenses charged out	1,140	804	641
Site services charges	—	290	414
Sales of petrochemical products	502	299	308
Project expenses	(50)	(230)	(310)
Other expenses	(211)	(170)	(166)

36. RELATED PARTY DISCLOSURES (continued)***Significant transactions with related parties (continued)***

Company <i>In RM Mil</i>	2018	2019	2020
Federal and State Governments of Malaysia:			
Petroleum proceeds	(11,459)	(9,826)	(6,404)
Government of Malaysia's related entities:			
Sales of processed gas	2,784	33	—
Subsidiaries:			
Sales of crude oil, petroleum products, processed gas and natural gas	55,774	68,688	46,909
Interest income from subsidiaries	3,676	3,598	3,104
Purchase of crude oil, natural gas and liquefied natural gas ("LNG")	(38,485)	(41,377)	(27,639)
Gas processing and transportation fee payable	(4,597)	(2,355)	(2,373)
LNG cancellation fee	(379)	(379)	—
Charter hire fee	(1,371)	—	—
Centralised head office services charges	1,153	1,224	1,050
Research cess	173	184	120
Supplemental payments and signature bonus	1,571	1,362	113
Abandonment cess			
- paid	(3,978)	(2,852)	(2,519)
- received	2,588	3,826	2,740
Associate companies:			
Sales of processed gas	5,246	—	—
Joint ventures:			
Gas processing fee	(37)	(39)	(36)

Information regarding outstanding balances arising from related party transactions as at 31 December 2020 are disclosed in Note 10, Note 15 and Note 24.

Information regarding impairment losses on receivables and bad debts written off during the financial year are disclosed in Note 26.

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on a commercial basis. The above has been stated at contracted amount.

37. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION

The Group's reportable segments comprise Upstream, Gas and New Energy, and Downstream. Each reportable segment offers 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:

The following summary describes the operations in each of the Group's reportable segments:

- Upstream - activities include oil and natural gas exploration, development and production, together with related pipeline and transportation activities.
- Gas and New Energy - activities include purchase of natural gas from Upstream, liquefaction and processing of natural gas, marketing and trading of liquefied natural gas ("LNG") and processed gas as well as power and new energy business.
- Downstream - activities include the supply and trading, refining, manufacturing, marketing and transportation of crude oil, petroleum and petrochemical products.

Corporate and others comprise primarily logistic and maritime segment, property segment and central treasury and project delivery and technology function.

For each of the reportable segment, the Group chief operating decision maker, which in this case is the PETRONAS Executive Leadership Team, reviews internal management reports at least on a quarterly basis.

There are varying levels of integration between Upstream segment, Gas and New Energy segment, Downstream segment and others. This integration includes transfers of products and services between segments.

Inter-segment pricing is established on a commercial basis.

Inter-segment revenues include sales of crude oil and condensates, petroleum products, sales gas and shipping services between business segments. These transactions are eliminated on consolidation.

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 Leadership Team believes that such information is the most relevant in evaluating the results of the segments.

Segment assets are measured based on total assets (including goodwill) of a segment, as included in the internal management reports and are used to measure the return of assets of each segment.

Segment liabilities information is neither included in the internal management reports nor provided regularly to the Executive Leadership Team. Hence, no disclosure is made on segment liability.

Segment capital expenditure is the total cost incurred during the financial year to acquire non-current assets other than financial instruments and deferred tax assets.

37. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION (continued)

Group 2018						
<i>In RM Mil</i>	Upstream	Gas and New Energy	Downstream	Corporate and others	Consolidation adjustments and eliminations	Total
Revenue						
Third parties	39,301	75,280	122,140	14,255	—	250,976
Inter-segment	69,190	8,037	1,231	4,491	(82,949)	—
Total revenue	108,491	83,317	123,371	18,746	(82,949)	250,976
Reportable segment profit	26,146	17,196	6,814	7,171	(2,017)	55,310
Included in the measure of segment profit are:						
Depreciation and amortisation	(22,961)	(4,343)	(3,659)	(3,364)	—	(34,327)
Net write-back/ (losses) of impairment on assets and write-off on well costs	2,195	2,268	(150)	(233)	—	4,080
Interest income	2,119	435	675	7,558	(4,278)	6,509
Interest expense	(4,524)	(1,492)	(151)	(2,483)	3,943	(4,707)
Share of profit after tax and non- controlling interests of equity accounted associates and joint ventures	225	16	186	257	—	684
Tax expense	(13,988)	(4,962)	(1,451)	(994)	(25)	(21,420)

37. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION (continued)

Group 2019		Gas and New		Corporate and others	Consolidation adjustments and eliminations	Total
<i>In RM Mil</i>	Upstream	Energy	Downstream			
Revenue						
Third parties	37,766	74,666	114,157	13,674	—	240,263
Inter-segment	64,826	8,652	1,328	4,211	(79,017)	—
Total revenue	102,592	83,318	115,485	17,885	(79,017)	240,263
Reportable segment profit	22,199	9,780	5,166	4,675	(1,348)	40,472
Included in the measure of segment profit are:						
Depreciation and amortisation	(26,320)	(4,824)	(3,799)	(3,735)	—	(38,678)
Impairment losses on assets and write-off on well costs	(2,366)	(5,780)	(216)	(241)	—	(8,603)
Interest income	2,128	516	725	7,379	(3,859)	6,889
Interest expense	(4,526)	(2,254)	(294)	(2,453)	5,793	(3,734)
Share of profit after tax and non- controlling interests of equity accounted associates and joint ventures	330	368	42	279	—	1,019
Tax expense	(11,947)	(3,971)	(302)	(495)	217	(16,498)

37. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION (continued)

Group 2020		Gas and New		Corporate and others	Consolidation adjustments and eliminations	
<i>In RM Mil</i>	Upstream	Energy	Downstream			Total
Revenue						
Third parties	28,734	54,621	84,183	11,203	—	178,741
Inter-segment	42,033	7,566	1,194	5,124	(55,917)	—
Total revenue	70,767	62,187	85,377	16,327	(55,917)	178,741
Reportable segment (loss)/profit	(10,218)	(9,983)	(3,458)	242	2,388	(21,029)
Included in the measure of segment (loss)/profit are:						
Depreciation and amortisation	(22,728)	(4,983)	(4,724)	(3,591)	—	(36,026)
Net impairment losses on assets and write-off on well costs	(17,845)	(13,568)	(1,673)	(707)	—	(33,793)
Interest income	1,493	251	405	5,848	(3,159)	4,838
Interest expense	(4,533)	(1,941)	(325)	(2,606)	5,272	(4,133)
Share of profit/(loss) after tax and non- controlling interests of equity accounted associates and joint ventures	261	52	(384)	399	—	328
Tax expense	(2,985)	(3,416)	(479)	(1,175)	(653)	(8,708)

37. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION (continued)

Group 2019	Gas and New Energy			Corporate and others	Consolidation adjustments and eliminations	Total
<i>In RM Mil</i>	Upstream	Downstream				
Segment assets	258,218	120,580	131,014	171,035	(58,426)	622,421

Included in the measure of segment assets are:

Investments in associates and joint ventures	5,355	841	7,492	2,214	—	15,902
Additions to non-current assets other than financial instruments and deferred tax assets	23,984	8,416	11,005	4,408	—	47,813

2020

Segment assets	245,163	101,748	123,788	162,194	(58,822)	574,071
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Included in the measure of segment assets are:

Investments in associates and joint ventures	4,719	756	6,322	802	—	12,599
Additions to non-current assets other than financial instruments and deferred tax assets	14,351	7,637	4,965	6,404	—	33,357

Products and services information

The following are revenue from external customers by products and services:

Group	2018	2019	2020
<i>In RM Mil</i>			
Petroleum products	89,158	85,562	62,705
Crude oil and condensates	40,419	35,792	23,710
Liquefied natural gas	53,937	51,298	37,669
Natural and processed gas	27,857	29,082	22,305
Petrochemical products	19,071	16,022	14,177
Shipping services	2,137	2,780	2,577
Investment income	5,487	5,738	4,101
Others	12,910	13,989	11,497
	250,976	240,263	178,741

37. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION (continued)***Geographical information***

Geographical revenue is determined based on location of customers. The amounts presented in non-current assets are based on the geographical location of the assets and do not include financial instruments (including investments in associates and joint ventures) nor deferred tax assets.

Group	Revenue		
<i>In RM Mil</i>	2018	2019	2020
Asia	83,812	70,113	54,006
Malaysia	75,066	79,433	56,098
Japan	25,941	20,760	17,608
South Africa	24,009	23,993	14,873
Rest of the world ^a	42,148	45,964	36,156
	<u>250,976</u>	<u>240,263</u>	<u>178,741</u>

Group	Non-current assets	
<i>In RM Mil</i>	2019	2020
Malaysia	248,619	238,264
Rest of the world ^a	108,553	86,951
	<u>357,172</u>	<u>325,215</u>

Major customers

As at 31 December 2020, 31 December 2019 and 31 December 2018, there are no major customers with revenue that contribute to more than 10 percent of the Group's revenue.

^a Comprises revenue and non-current assets individually not material.

38. 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. In addition, the Group via its subsidiaries participated in various petroleum arrangements outside Malaysia as contractors.

Production sharing contracts (“PSCs”)

Malaysia

The monetisation of petroleum resources is carried out primarily by means of PSCs between PETRONAS, its subsidiaries and other oil and gas companies (“PSC Contractors”). Under the terms of the various PSCs, the PSC Contractors shall bear all the costs and 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 PSC Contractors’ entitlements to crude oil or gas produced subsequent to 31 December 1992 have been based on the returns submitted by PSC 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 respective PSCs 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. Research cess and supplemental payment are not applicable for certain PSCs that are reaching tail- end of production life cycle.

- ii. Property, plant and equipment and intangible assets

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.

- iv. Abandonment

The PSCs stipulate the rights and obligation of PETRONAS and the PSC Contractors (“PSC Parties”) in relation to the abandonment of the oil and gas properties. The PSC Contractors have the obligation to undertake abandonment activities during the PSC period except for certain PSCs or facilities where the abandonment obligation lies with PETRONAS.

In addition, the PSC Contractors are also required to make abandonment cess contribution to Abandonment Cess Fund via PETRONAS in accordance with the terms of the PSCs. The PSC Contractors have the rights to request PETRONAS to reimburse the abandonment cess up to the cumulative amount paid upon the execution of the abandonment activities.

38. PETROLEUM ARRANGEMENTS (continued)

Production sharing contracts (“PSCs”) (continued)

Outside Malaysia

In the international PSC arrangements, where the Group acts as a contractor, has largely similar arrangements as per Malaysia PSCs subject to the relevant laws and regulations in the respective countries. In respect of abandonment for most of the countries, the Group makes contribution into escrow accounts/ any other approved accounts.

Service contracts

Risk Service Contract (“RSCs”) Malaysia

Under the terms of the RSC, RSC Contractors provide services for the development and production of oil and gas resources on behalf of PETRONAS, in return of cost reimbursement upon commercial production and performance based remuneration fees. PETRONAS retains ownership of the assets and crude oil and gas produced.

Development and Production Service Contracts (“DPSCs”)

Under the terms of DPSC, the subsidiaries of the Group act as contractors that provide services for development and production of oil and gas resources on behalf of host authority.

Certain terms of DPSCs are:

i. **Crude oil and gas entitlement**

DPSC contractors shall incur all upfront costs during the initial period of investment and will be reimbursed once the contractual obligation upon production of crude oil and gas is met. Under the terms of DPSCs, the host authority own the title to all equipment and other assets acquired by the contractors during the contractual period of the DPSCs.

Contractors are entitled to recover their expenditure incurred in relation to the petroleum operations of the DPSCs, based on the provisions stipulated in the DPSCs.

Contractors are also entitled to remuneration fees which commensurate with their performance as stipulated in the provision of the DPSCs.

All barrels of crude oil and gas produced belong to the host authority. The Group’s entitlements to oil and gas are recognised as revenue based on two elements, costs reimbursement and remuneration fees.

38. PETROLEUM ARRANGEMENTS (continued)

Development and Production Service Contracts (“DPSCs”) (continued)

ii. Intangible assets and other financial assets

Title to all equipment and other assets constructed belong to the host authority and contractually, the contractors acquire the right to use these assets for the duration specified under the DPSCs. The right to use these assets is recognised in the financial statements of the Group as intangible assets, as per accounting policies set out in Note 2.9.

In circumstances where the contractors have the right to receive cash or other financial assets for their services from or at the discretion of the host authority, these assets are recognised as trade receivables.

Concession agreement

Under the terms of Concession Agreements, the subsidiaries of the Group participate in Consortium Agreements for the rights to carry out exploration and exploitation activities. The Consortium bears all costs as outlined in the Annual Work Program and Budget. Title to all equipment and other assets purchased and acquired by the consortium for the purpose of petroleum operations will remain with the consortium for the duration of the Concession Agreements and the equity value of the assets is recognised in the financial statements of the relevant subsidiaries of the Group as property, plant and equipment as per accounting policies set out in Note 2.4.

Upon production, the title to the crude oil produced to which the consortium is entitled to, shall pass to the consortium at the point of production at the wellhead. Each member of the consortium shall own and may separately take or dispose of its own share of the crude oil.

The consortium shall pay the host authority a royalty on the consortium’s total production of the crude oil for each calendar month in-kind or in-cash. By virtue of its petroleum operations, the consortium is subject to direct tax on profits, where each member of the consortium shall separately calculate its taxable income and shall remain responsible for its own corporate income tax return.

39. FINANCIAL INSTRUMENTS

Categories of financial instruments

The following table below provides an analysis of financial instruments categorised as follows:

- (i) Fair value through profit or loss (“FVTPL”)
 - Mandatorily required by MFRS 9
 - Designated upon initial recognition (“DUIR”)
- (ii) Fair value through other comprehensive income (“FVOCI”)
 - Debt instrument (“DI”)
 - Equity instrument designated upon initial recognition (“EIDUIR”)
- (iii) Amortised cost (“AC”)

39. FINANCIAL INSTRUMENTS (continued)**Categories of financial instruments (continued)**

Group 2019					
<i>In RM Mil</i>	Note	FVTPL - mandatorily at FVTPL	FVOCI - EIDUIR	Amortised cost	Total carrying amount
Financial assets					
Long-term receivables	*	12	—	10,784	10,796
Fund and other investments	11	8,852	624	1,163	10,639
Trade and other receivables	*	787	—	38,510	39,297
Cash and cash equivalents	17	—	—	141,622	141,622
		9,651	624	192,079	202,354
Financial liabilities					
Borrowings	*	—	—	(55,072)	(55,072)
Other long-term liabilities	*	(186)	—	(3,143)	(3,329)
Trade and other payables	*	(455)	—	(45,573)	(46,028)
		(641)	—	(103,788)	(104,429)
2020					
		FVTPL - mandatorily at FVTPL	FVOCI - EIDUIR	Amortised cost	Total carrying amount
Financial assets					
Long-term receivables	*	59	—	11,298	11,357
Fund and other investments	11	10,050	211	527	10,788
Trade and other receivables	*	466	—	34,086	34,552
Cash and cash equivalents	17	—	—	130,523	130,523
		10,575	211	176,434	187,220
Financial liabilities					
Borrowings	*	—	—	(75,500)	(75,500)
Other long-term liabilities	*	(546)	—	(3,834)	(4,380)
Trade and other payables	*	(1,649)	—	(34,995)	(36,644)
		(2,195)	—	(114,329)	(116,524)

* These balances exclude non-financial instruments balances.

Certain fund and other investments have been designated at fair value through profit or loss upon initial recognition as management internally monitors these investments on fair value basis.

39. FINANCIAL INSTRUMENTS (continued)**Categories of financial instruments (continued)**

Company 2019		FVTPL - mandatorily at FVTPL	FVOCI - EIDUIR	Amortised cost	Total carrying amount
<i>In RM Mil</i>	Note				
Financial assets					
Long-term receivables	*	22,653	—	98,547	121,200
Fund and other investments	11	3,992	73	977	5,042
Trade and other receivables	*	10	—	17,702	17,712
Cash and cash equivalents	17	—	—	55,961	55,961
		<u>26,655</u>	<u>73</u>	<u>173,187</u>	<u>199,915</u>
Financial liabilities					
Borrowings	*	—	—	(26,492)	(26,492)
Other long-term liabilities	*	—	—	(9,759)	(9,759)
Trade and other payables	*	(18)	—	(16,793)	(16,811)
		<u>(18)</u>	<u>—</u>	<u>(53,044)</u>	<u>(53,062)</u>
2020					
		FVTPL - mandatorily at FVTPL	FVOCI - EIDUIR	Amortised cost	Total carrying amount
Financial assets					
Long-term receivables	*	24,851	—	94,947	119,798
Fund and other investments	11	5,072	73	320	5,465
Trade and other receivables	*	17	—	13,006	13,023
Cash and cash equivalents	17	—	—	54,111	54,111
		<u>29,940</u>	<u>73</u>	<u>162,384</u>	<u>192,397</u>
Financial liabilities					
Borrowings	*	—	—	(45,014)	(45,014)
Other long-term liabilities	*	—	—	(11,471)	(11,471)
Trade and other payables	*	(21)	—	(11,793)	(11,814)
		<u>(21)</u>	<u>—</u>	<u>(68,278)</u>	<u>(68,299)</u>

* These balances exclude non-financial instruments balances.

Certain fund and other investments have been designated at fair value through profit or loss upon initial recognition as management internally monitors these investments on fair value basis.

39. FINANCIAL INSTRUMENTS (continued)

Categories of 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.

Risk taking activities are undertaken within acceptable level of risk or risk appetite, whereby the risk appetite level reflects business considerations and capacity to assume such risks. The risk appetite is established at Board level, where relevant, based on defined methodology and translated into operational thresholds.

The Group's 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's 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 subsidiaries in line with PETRONAS' policies and guidelines.

Receivables and contract assets

Risk management objectives, policies and processes for managing the risk

The Group and the Company minimise credit risk by ensuring that all potential third party counterparties are assessed prior to registration and entering into new contracts. Existing third party counterparties are also 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.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values.

At each reporting date, the Group and the Company assess whether any of the trade receivables and contract assets are credit impaired.

39. FINANCIAL INSTRUMENTS (continued)

Receivables and contract assets (continued)

Risk management objectives, policies and processes for managing the risk (continued)

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by the carrying amounts in the statement of financial position.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- (i) significant financial difficulty of the customer;
- (ii) a breach of contract such as a default; or
- (iii) it is probable that the customer will enter bankruptcy or other financial reorganisation.

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.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables and contract assets, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The Group and the Company perform credit rating assessment of all its counterparties in order to measure Expected Credit Loss ("ECL") of trade receivables for all segments using the PETRONAS Credit Risk Rating system. This credit rating assessment considers quantitative assessment using the counterparties' financial statements or a qualitative assessment of the counterparties which includes but is not limited to their reputation, competitive position, industry and geopolitical outlook.

In determining the ECL, the probability of default assigned to each counterparty is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Group's and the Company's historical experience.

39. FINANCIAL INSTRUMENTS (continued)*Receivables and contract assets (continued)**Recognition and measurement of impairment loss (continued)*

The following table provides information about the exposure to credit risk and ECL for trade receivables and contract assets as at the reporting date which are grouped together as they are expected to have similar risk nature.

Group 2019				
<i>In RM Mil</i>				
	Note	Gross carrying amount	Allowance for impairment losses	Net balance
Credit Risk Rating				
Sovereign		607	—	607
Excellent		4,439	(49)	4,390
Good		19,295	(1,180)	18,115
Fair		4,055	(598)	3,457
		28,396	(1,827)	26,569
Credit impaired				
Individually impaired		764	(762)	2
		29,160	(2,589)	26,571
Representing				
Trade receivables	15	28,703	(2,589)	26,114
Contract assets	15	457	—	457
		29,160	(2,589)	26,571
Group 2020				
<i>In RM Mil</i>				
	Note	Gross carrying amount	Allowance for impairment losses	Net balance
Credit Risk Rating				
Sovereign		787	—	787
Excellent		2,144	(14)	2,130
Good		11,757	(65)	11,692
Fair		6,120	(71)	6,049
		20,808	(150)	20,658
Credit impaired				
Individually impaired		2,051	(2,051)	—
		22,859	(2,201)	20,658
Representing				
Trade receivables	15	22,199	(2,201)	19,998
Contract assets	15	660	—	660
		22,859	(2,201)	20,658

39. FINANCIAL INSTRUMENTS (continued)*Receivables and contract assets (continued)**Recognition and measurement of impairment loss (continued)*

Company 2019				
<i>In RM Mil</i>				
	Note	Gross carrying amount	Allowance for impairment losses	Net balance
Credit Risk Rating				
Sovereign		168	—	168
Excellent		343	—	343
Good		2,046	(3)	2,043
Fair		767	(2)	765
		3,324	(5)	3,319
Credit impaired				
Individually impaired		371	(371)	—
		3,695	(376)	3,319
Representing				
Trade receivables	15	3,695	(376)	3,319
Company 2020				
<i>In RM Mil</i>				
	Note	Gross carrying amount	Allowance for impairment losses	Net balance
Credit Risk Rating				
Sovereign		122	—	122
Excellent		519	—	519
Good		1,314	(1)	1,313
Fair		519	(3)	516
		2,474	(4)	2,470
Credit impaired				
Individually impaired		371	(371)	—
		2,845	(375)	2,470
Representing				
Trade receivables	15	2,845	(375)	2,470

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is equal to the carrying amount.

39. FINANCIAL INSTRUMENTS (continued)***Receivables and contract assets (continued)******Recognition and measurement of impairment loss (continued)***

The ageing of trade receivables net of impairment amount as at the end of the reporting period is analysed below:

<i>In RM Mil</i>	Group		Company	
	2019	2020	2019	2020
At net				
Current	23,850	16,412	3,012	1,084
Past due 1 to 30 days	973	859	64	1,332
Past due 31 to 60 days	146	421	—	—
Past due 61 to 90 days	105	439	2	2
Past due more than 90 days	1,040	1,867	241	52
	<u>26,114</u>	<u>19,998</u>	<u>3,319</u>	<u>2,470</u>

The Group and the Company have not recognised any loss allowance for trade receivables that are secured by collateral and/or other credit enhancements such as cash deposits, letter of credit and bank guarantees.

The movements in the allowance for impairment losses of trade receivables during the year are as follows:

<i>In RM Mil</i>	Group		Company	
	2019	2020	2019	2020
Opening balance	3,376	2,589	763	376
Impairment (write-back)/losses recognised	(760)	3	(104)	(1)
Impairment written-off	(4)	(56)	(283)	—
Translation exchange difference	(23)	(335)	—	—
Closing balance	<u>2,589</u>	<u>2,201</u>	<u>376</u>	<u>375</u>

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.

The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

The credit risk on a financial instrument is considered low, if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group and the Company assume that there is a significant increase in credit risk when it is past due.

39. FINANCIAL INSTRUMENTS (continued)***Fund and other investments (continued)***

As at the reporting date, the Group and the Company have invested 99% (2019: 99%) and 100% (2019: 100%) 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 financial guarantees to banks in respect of banking facilities granted to certain subsidiaries, joint ventures and associates (“Group entities”). The Group and the Company monitor on an ongoing basis, the results of the Group entities and repayments made by the Group entities.

The Group’s certain joint arrangement entities have undertaken project financing facilities (the “Borrower”), under an integrated borrowing structure for the repayment of bridge loan facilities and other expenditures. Under the integrated borrowing structure, the Borrowers provide cross guarantee to the project financing lenders on each other’s loan. Upon failure to pay by a Borrower, the project financing lenders would have primary recourse to that Borrower as well as to the other Borrower under the cross-guarantee.

The Group’s share of maximum exposure to credit risk relating to the cross-guarantee provided by the joint operation company to a joint venture amounts to RM16,688 million (2019: RM16,897 million) which represents the outstanding loans of the joint venture as at financial year end. Similarly, the cross-guarantee provided by the joint venture to the Group’s joint operation company as at financial year end is RM1,965 million (2019: RM1,983* million), being the Group’s share in the joint operation company.

The maximum exposure to credit risk for the Company amounted to RM3,834 million (2019: RM2,314 million), which represents the outstanding banking facilities of the Group entities as at reporting date. As at reporting date, there was no indication that any entities would default on repayment. The fair value of the financial guarantee recognised is disclosed in Note 23 and Note 24.

Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as they fall due. The Group’s and the Company’s exposure to liquidity risk arises principally from their trade and other payables, and borrowings. In managing its liquidity risk, the Group and the Company 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 and the Company’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 following 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:

* The amount excludes transaction costs

39. FINANCIAL INSTRUMENTS (continued)**Liquidity risk (continued)****Maturity analysis (continued)**

Group 2019		Contractual interest/ profit rates per annum %	Contractual cash flows
<i>In RM Mil</i>	Carrying amount		
Amortised cost			
Lease liabilities	13,666	0.42 - 13.80	16,274
Secured term loans			
USD floating rate loans	11,874	1.49	12,194
USD fixed rate loans	514	2.33	514
RM floating rate loans	387	4.39	387
Other fixed rate loans	8	12.50	8
Other floating rate loans	665	5.97	664
Unsecured term loans			
USD floating rate loans	3,489	2.87	3,643
USD fixed rate loans	518	6.18	525
EUR floating rate loans	1,994	0.40	2,013
Other fixed rate loans	862	5.56	868
Unsecured Notes and Bonds			
USD Notes	4,100	7.88	4,907
USD Guaranteed Notes	15,221	3.83	22,944
USD Bonds	2,050	7.63	3,111
Unsecured revolving credits			
USD revolving credits	808	2.53	808
GBP revolving credits	263	1.14	263
RM revolving credits	242	4.55	247
Other revolving credits	34	7.14	34
Unsecured bankers' acceptances			
CAD bankers' acceptances	399	2.01	399
Other bankers' acceptances	50	3.92	51

continue to next page

39. FINANCIAL INSTRUMENTS (continued)**Liquidity risk (continued)*****Maturity analysis (continued)*****Group
2019***In RM Mil****Amortised cost (continued)*****Unsecured bank overdrafts**

ZAR bank overdrafts	393	7.63	393
Other bank overdrafts	16	6.25	17

Secured Islamic financing facilities

RM Islamic financing facilities	2,394	4.52	3,262
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Unsecured Islamic financing facilities

USD Islamic financing facilities	5,121	2.71	5,151
RM Islamic financing facilities	3,543	3.79	4,143
RMB Islamic financing facilities	127	6.30	156
Other long-term liabilities	3,143	—	4,728
Financial guarantee	—	—	16,966
Trade and other payables	45,573	—	45,573

Fair value through profit or loss

Derivative liabilities	641	—	641
	<u>118,095</u>		<u>150,884</u>

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39. FINANCIAL INSTRUMENTS (continued)**Liquidity risk (continued)*****Maturity analysis (continued)***

Group				
2019				
<i>In RM Mil</i>	Within 1 year	1-2 years	2-5 years	More than 5 years
<i>Amortised cost (continued)</i>				
Lease liabilities	1,675	2,638	5,591	6,370
Secured term loans				
USD floating rate loans	3,456	816	2,755	5,167
USD fixed rate loans	48	48	156	262
RM floating rate loans	18	14	30	325
Other fixed rate loans	2	2	4	—
Other floating rate loans	197	122	342	3
Unsecured term loans				
USD floating rate loans	1,258	71	2,314	—
USD fixed rate loans	82	92	165	186
EUR floating rate loans	8	2,005	—	—
Other fixed rate loans	816	46	6	—
Unsecured Notes and Bonds				
USD Notes	323	323	4,261	—
USD Guaranteed Notes	588	588	4,598	17,170
USD Bonds	156	156	469	2,330
Unsecured revolving credits				
USD revolving credits	808	—	—	—
GBP revolving credits	263	—	—	—
RM revolving credits	247	—	—	—
Other revolving credits	34	—	—	—
Unsecured bankers' acceptances				
CAD bankers' acceptances	399	—	—	—
Other bankers' acceptances	51	—	—	—

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39. FINANCIAL INSTRUMENTS (continued)**Liquidity risk (continued)*****Maturity analysis (continued)***

Group 2019	Within 1 year	1-2 years	2-5 years	More than 5 years
<i>In RM Mil</i>				
<i>Amortised cost (continued)</i>				
Unsecured bank overdrafts				
ZAR bank overdrafts	393	—	—	—
Other bank overdrafts	17	—	—	—
Secured Islamic financing facilities				
RM Islamic financing facilities	830	353	1,028	1,051
Unsecured Islamic financing facilities				
USD Islamic financing facilities	5,151	—	—	—
RM Islamic financing facilities	725	786	1,653	979
RMB Islamic financing facilities	8	8	140	—
Other long-term liabilities	—	—	147	4,581
Financial guarantee	16,966	—	—	—
Trade and other payables	45,573	—	—	—
<i>Fair value through profit or loss</i>				
Derivative liabilities	455	186	—	—
	80,547	8,254	23,659	38,424

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39. FINANCIAL INSTRUMENTS (continued)**Liquidity risk (continued)****Maturity analysis (continued)**

Group 2020	Carrying amount	Contractual interest/profit rates per annum %	Contractual cash flows
<i>In RM Mil</i>			
Amortised cost			
Lease liabilities	12,729	1.00 - 13.80	21,044
Secured term loans			
USD floating rate loans	11,452	1.16	12,440
USD fixed rate loans	3,166	3.22	3,166
RM floating rate loans	390	4.37	390
Other floating rate loans	1,012	2.41	1,012
Unsecured term loans			
USD floating rate loans	402	4.65	403
USD fixed rate loans	498	2.19	756
EUR floating rate loans	2,153	0.30	2,195
Other fixed rate loans	444	5.31	443
Other floating rate loans	80	2.07	87
Unsecured Notes and Bonds			
USD Notes	4,029	7.88	4,644
USD Guaranteed Notes	38,971	4.10	68,808
USD Bonds	2,014	7.63	2,993
Unsecured revolving credits			
USD floating revolving credits	355	1.33	355
USD fixed revolving credits	804	2.19	804
RM floating revolving credits	10	2.89	10
RM fixed revolving credits	65	2.68	65
Other floating revolving credits	150	3.90	150
Unsecured bankers' acceptances			
CAD fixed bankers' acceptances	1,656	2.00	1,656

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39. FINANCIAL INSTRUMENTS (continued)**Liquidity risk (continued)*****Maturity analysis (continued)***

Group 2020	Carrying amount	Contractual interest/profit rates per annum %	Contractual cash flows
<i>In RM Mil</i>			
<i>Amortised cost (continued)</i>			
Unsecured bank overdrafts			
ZAR bank overdrafts	695	7.60	695
Other bank overdrafts	3	5.18	4
Secured Islamic financing facilities			
RM Islamic financing facilities	2,323	4.52	3,033
Unsecured Islamic financing facilities			
RM Islamic financing facilities	4,695	3.41	5,135
RMB Islamic financing facilities	133	6.17	147
Other long-term liabilities	3,834	—	5,055
Financial guarantee	—	—	16,747
Trade and other payables	34,995	—	34,995
<i>Fair value through profit or loss</i>			
Derivative liabilities	2,195	—	2,195
	<u>129,253</u>		<u>189,427</u>

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39. FINANCIAL INSTRUMENTS (continued)**Liquidity risk (continued)****Maturity analysis (continued)**

Group 2020	Within 1 year	1-2 years	2-5 years	More than 5 years
<i>In RM Mil</i>				
Amortised cost (continued)				
Lease liabilities	1,949	2,125	4,049	12,921
Secured term loans				
USD floating rate loans	1,655	2,021	3,588	5,176
USD fixed rate loans	283	287	867	1,729
RM floating rate loans	12	19	357	2
Other floating rate loans	276	35	435	266
Unsecured term loans				
USD floating rate loans	—	—	254	149
USD fixed rate loans	756	—	—	—
EUR floating rate loans	2,195	—	—	—
Other fixed rate loans	77	—	366	—
Other floating rate loan	87	—	—	—
Unsecured Notes and Bonds				
USD Notes	331	4,313	—	—
USD Guaranteed Notes	1,660	4,704	10,616	51,828
USD Bonds	160	158	469	2,206
Unsecured revolving credits				
USD floating revolving credits	355	—	—	—
USD fixed revolving credits	804	—	—	—
RM floating revolving credits	10	—	—	—
RM fixed revolving credits	65	—	—	—
Other floating revolving credits	150	—	—	—
Unsecured bankers' acceptances				
CAD fixed bankers' acceptance	1,656	—	—	—

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39. FINANCIAL INSTRUMENTS (continued)**Liquidity risk (continued)*****Maturity analysis (continued)*****Group
2020***In RM Mil****Amortised cost (continued)*****Unsecured bank overdrafts**

	Within 1 year	1-2 years	2-5 years	More than 5 years
ZAR bank overdrafts	695	—	—	—
Other bank overdrafts	4	—	—	—

Secured Islamic financing facilities

RM Islamic financing facilities	946	331	907	849
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Unsecured Islamic financing facilities

RM Islamic financing facilities	934	676	1,940	1,585
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RMB Islamic financing facilities	8	6	133	—
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Other long-term liabilities	114	—	955	3,986
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Financial guarantee	16,747	—	—	—
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Trade and other payables	34,995	—	—	—
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Fair value through profit or loss

Derivative liabilities	2,195	—	—	—
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	69,119	14,675	24,936	80,697
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39. FINANCIAL INSTRUMENTS (continued)**Liquidity risk (continued)*****Maturity analysis (continued)***

Company 2019	Carrying amount	Contractual interest/profit rates per annum %	Contractual cash flows
<i>In RM Mil</i>			
<i>Amortised cost</i>			
Lease liabilities	4,761	5.65	5,865
Unsecured Notes and Bonds			
USD Notes	4,100	7.88	4,907
USD Guaranteed Notes	15,221	3.83	22,944
USD Bonds	2,050	7.63	3,111
Unsecured Islamic financing facilities			
USD Islamic financing facilities	5,121	2.71	5,151
Other long-term liabilities	9,759	—	14,941
Financial guarantees	—	—	2,314
Trade and other payables	16,793	—	16,793
<i>Fair value through profit or loss</i>			
Derivative liabilities	18	—	18
	<u>57,823</u>		<u>76,044</u>

*continue to next page***2020***In RM Mil****Amortised cost***

Lease liabilities	7,840	5.41	12,365
Unsecured Notes and Bonds			
USD Notes	4,029	7.88	4,644
USD Guaranteed Notes	38,971	4.10	68,808
USD Bonds	2,014	7.63	2,993
Unsecured Islamic financing facilities			
USD Islamic financing facilities	—	—	—
Other long-term liabilities	11,471	—	16,256
Financial guarantee	—	—	3,834
Trade and other payables	11,793	—	11,793
<i>Fair value through profit or loss</i>			
Derivative liabilities	21	—	21
	<u>76,139</u>		<u>120,714</u>

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39. FINANCIAL INSTRUMENTS (continued)**Liquidity risk (continued)*****Maturity analysis (continued)***

Company 2019	Within 1 year	1-2 years	2-5 years	More than 5 years
<i>In RM Mil</i>				
<i>Amortised cost (continued)</i>				
Lease liabilities	802	819	2,464	1,780
Unsecured Notes and Bonds				
USD Notes	323	323	4,261	—
USD Guaranteed Notes	588	588	4,598	17,170
USD Bonds	156	156	469	2,330
Unsecured Islamic financing facilities				
USD Islamic financing facilities	5,151	—	—	—
Other long-term liabilities	14	470	498	13,959
Financial guarantee	2,314	—	—	—
Trade and other payables	16,793	—	—	—
<i>Fair value through profit or loss</i>				
Derivative liabilities	18	—	—	—
	26,159	2,356	12,290	35,239

*continued from previous page***2020***In RM Mil****Amortised cost (continued)***

Lease liabilities	826	848	2,495	8,196
Unsecured Notes and Bonds				
USD Notes	331	4,313	—	—
USD Guaranteed Notes	1,660	4,704	10,616	51,828
USD Bonds	160	158	469	2,206
Unsecured Islamic financing facilities				
USD Islamic financing facilities	—	—	—	—
Other long-term liabilities	159	95	1,971	14,031
Financial guarantee	3,834	—	—	—
Trade and other payables	11,793	—	—	—
<i>Fair value through profit or loss</i>				
Derivative liabilities	21	—	—	—
	18,784	10,118	15,551	76,261

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39. FINANCIAL INSTRUMENTS (continued)**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 are exposed to include interest rates, foreign currency exchange rates, commodity prices, equity prices and other indices that could affect the value of the Group's and the Company's financial assets, liabilities or expected future cash flows.

Interest rate risk

The Group's and the Company's investments in fixed rate debt securities and fixed rate borrowings are exposed to a risk of change in their fair values due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

All interest rate exposures are monitored and managed proactively in line with PETRONAS' policies and guidelines. The Group enters into hedging transactions with respect to interest rate on certain long-term borrowings and other debts where necessary and appropriate, in accordance with policies and guidelines.

The interest rate profile of the Group's and the Company's interest-bearing financial instruments based on carrying amount as at reporting date is as follows:

<i>In RM Mil</i>	Group		Company	
	2019	2020	2019	2020
Fixed rate instruments				
Financial assets	152,655	141,463	109,601	103,729
Financial liabilities	(52,617)	(78,529)	(31,253)	(52,854)
	<u>100,038</u>	<u>62,934</u>	<u>78,348</u>	<u>50,875</u>
Floating rate instruments				
Financial assets	2,404	3,616	48,710	49,101
Financial liabilities	(16,121)	(9,700)	—	—
	<u>(13,717)</u>	<u>(6,084)</u>	<u>48,710</u>	<u>49,101</u>

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.

The Group has entered into an interest rate swaps to hedge the cash flow risk in relation to the floating interest rate of the USD term loan of USD322 million. The interest rate swaps have the same nominal value of USD322 million and is settled every quarter, consistent with the interest repayment schedule of the term loan. During the year, the interest risk swaps was discontinued as the Group had fully settled the USD term loan.

39. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Foreign exchange risk

The Group and the Company are exposed to varying levels of foreign exchange risk when they enter into transactions that are not denominated in the respective companies' functional currencies and when foreign currency monetary assets and liabilities are translated at the reporting date. The main underlying economic currencies of the Group's cash flows are Ringgit Malaysia and US Dollars.

The Group's 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.

39. FINANCIAL INSTRUMENTS (continued)**Market risk (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***Denominated in USD****Financial assets**

	2019	2020
Loan and advances to subsidiaries and a joint venture	76,082	75,418
Cash and cash equivalents	1,629	25,469
Trade and other receivables	7,211	6,639
Long-term receivables	175	23
Fund and other investments	297	101
Other financial assets	67	10
	85,461	107,660

Financial liabilities

Loan and advances from holding company	(4,348)	(8,282)
Borrowings	(32,968)	(45,213)
Trade and other payables	(5,688)	(6,466)
Other financial liabilities	(2,633)	(2,708)
	(45,637)	(62,669)

Net exposure

	39,824	44,991
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Denominated in RM**Financial assets**

Cash and cash equivalents	1,220	781
Trade and other receivables	2,938	1,778
Long-term receivables	10	16
	4,168	2,575

Financial liabilities

Borrowings	(276)	(191)
Trade and other payables	(5,213)	(5,416)
	(5,489)	(5,607)

Net exposure

	(1,321)	(3,032)
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39. FINANCIAL INSTRUMENTS (continued)**Market risk (continued)****Foreign exchange risk (continued)****Company***In RM Mil***Denominated in USD****Financial assets**

	2019	2020
Loan and advances to subsidiaries and a joint venture	70,427	66,981
Cash and cash equivalents	28,613	47,346
Trade and other receivables	5,489	5,941
	104,529	120,268

Financial liabilities

Cash and cash equivalents - subsidiaries' cash with PETRONAS Integrated Financial Shared Service Centre	(27,817)	(22,377)
Borrowings	(26,492)	(45,014)
Trade and other payables	(1,562)	(4,902)
Other financial liabilities	(1,336)	(1,118)
	(57,207)	(73,411)
Net exposure	47,322	46,857

Sensitivity analysis for a given market variable provided in this note, discloses the effect on profit or loss and equity as at 31 December 2020 assuming that a reasonably possible change in the relevant market variable had occurred at 31 December 2020 and been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes in price on profit or loss and equity to the next annual reporting date. Reasonably possible changes in market variables used in the sensitivity analysis are based on implied volatilities, where available, or historical data for equity and commodity prices and foreign exchange rates. Reasonably possible changes in interest rates are based on management judgment and historical experience.

The sensitivity analysis is hypothetical and should not be considered to be predictive of future performance because the Group's actual exposure to market prices is constantly changing with changes in the Group's portfolio of among others, commodity, debt and foreign currency contracts. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the relationship between the change in market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a given market variable is calculated independently of any change in another assumption and mitigating actions that would be taken by the Group. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities.

39. FINANCIAL INSTRUMENTS (continued)**Market risk (continued)*****Foreign exchange risk (continued)***

The following table demonstrates the indicative pre-tax effects on the profit or loss and equity of applying reasonably foreseeable market movements in the following currency exchange rates:

2019	Appreciation in foreign currency rate	Group		Company	
<i>In RM Mil</i>	%	Equity	Profit or loss	Equity	Profit or loss
USD	10	3,300	535	—	4,732
MYR	10	—	(132)	—	—
2020					
USD	10	3,179	1,320	—	4,686
MYR	10	—	(303)	—	—

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. Exposures to equity price risk are managed in accordance with the Group's existing policies and guidelines. The Group and the Company monitor 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 investments for strategic purposes, that are classified as FVTPL and FVOCI financial assets. Reports on the equity portfolio performance are submitted to the Group's and the Company's senior management on a regular basis.

The Group's and the Company's exposure to equity price risk based on carrying amounts as at the reporting date is as follows:

<i>In RM Mil</i>	Group		Company	
	2019	2020	2019	2020
Local equities	543	960	7	6
Foreign equities	642	170	—	—
	1,185	1,130	7	6

39. FINANCIAL INSTRUMENTS (continued)**Market risk (continued)*****Equity price risk (continued)***

The following table demonstrates the indicative pre-tax effects on the profit or loss and equity of applying reasonably foreseeable market movements in the following equities:

2019 <i>In RM Mil</i>	Increase in price based on average change in index rate %	Group		Company	
		Equity	Profit or loss	Equity	Profit or loss
Local equities	10	1	151	—	1
Foreign equities	15 to 20	20	—	—	—
2020					
Local equities	10	—	154	—	1
Foreign equities	15 to 20	15	—	—	—

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, gas 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, guidelines 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 profit or loss and equity.

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.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

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.

39. FINANCIAL INSTRUMENTS (continued)**Fair value information (continued)**

Group 2019 <i>In RM Mil</i>	Fair value of financial instruments carried at fair value			
	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	780	35	—	815
Quoted securities	135	—	—	135
Unquoted shares	—	—	292	292
Commodity swaps	—	2	—	2
Malaysian Government Securities	—	610	—	610
Corporate Bonds and Sukuk	—	7,198	—	7,198
Forward foreign exchange contracts	—	58	—	58
Forward gas contracts	427	158	—	585
Forward oil/gas price swaps	142	—	—	142
Interest rate swaps	—	2	—	2
	1,484	8,063	292	9,839

Financial liabilities				
Commodity swaps	—	(27)	—	(27)
Forward foreign exchange contracts	—	(74)	—	(74)
Forward gas contracts	(352)	(7)	—	(359)
Forward oil/gas price swaps	(14)	—	—	(14)
Interest rate swaps	—	(160)	—	(160)
	(366)	(268)	—	(634)

Group 2019 <i>In RM Mil</i>	Fair value of financial instruments not carried at fair value			Carrying amount
	Level 2	Level 3	Total	
Financial assets				
Long-term receivables	—	11,897	11,897	11,897
Finance lease receivables	—	8,525	8,525	8,525
	—	20,422	20,422	20,422
Financial liabilities				
Notes and Bonds	(24,074)	—	(24,074)	(21,371)
Term loans	—	(20,297)	(20,297)	(20,311)
Islamic financing facilities	(5,141)	(11,432)	(16,573)	(11,185)
Other long-term liabilities	—	(3,143)	(3,143)	(3,143)
	(29,215)	(34,872)	(64,087)	(56,010)

39. FINANCIAL INSTRUMENTS (continued)**Fair value information (continued)**

Group 2020 <i>In RM Mil</i>	Fair value of financial instruments carried at fair value			
	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	1,130	—	—	1,130
Quoted securities	181	—	—	181
Unquoted shares	—	—	250	250
Commodity swaps	—	11	—	11
Malaysian Government Securities	—	290	—	290
Corporate Bonds and Sukuk	—	8,219	—	8,219
Forward foreign exchange contracts	—	146	—	146
Forward gas contracts	327	—	—	327
Forward oil/gas price swaps	34	—	—	34
Interest rate swaps	—	7	—	7
	<u>1,672</u>	<u>8,673</u>	<u>250</u>	<u>10,595</u>
Financial liabilities				
Commodity swaps	—	(12)	—	(12)
Forward foreign exchange contracts	—	(53)	—	(53)
Forward oil/gas contracts	(651)	—	—	(651)
Forward oil/gas price swaps	(933)	—	—	(933)
Interest rate swaps	—	(546)	—	(546)
	<u>(1,584)</u>	<u>(611)</u>	<u>—</u>	<u>(2,195)</u>

Group 2020 <i>In RM Mil</i>	Fair value of financial instruments not carried at fair value			Carrying amount
	Level 2	Level 3	Total	
Financial assets				
Unquoted securities	—	400	400	400
Deposits with licensed bank	—	127	127	127
Long-term receivables	—	11,298	11,298	11,298
Finance lease receivables	—	9,670	9,670	9,670
	<u>—</u>	<u>21,495</u>	<u>21,495</u>	<u>21,495</u>
Financial liabilities				
Notes and Bonds	(56,156)	—	(56,156)	(45,014)
Term loans	—	(14,868)	(14,868)	(14,865)
Islamic financing facilities	—	(5,605)	(5,605)	(5,605)
Other long-term liabilities	—	(3,834)	(3,834)	(3,834)
	<u>(56,156)</u>	<u>(24,307)</u>	<u>(80,463)</u>	<u>(69,318)</u>

39. FINANCIAL INSTRUMENTS (continued)**Fair value information (continued)**

Company 2019 <i>In RM Mil</i>	Fair value of financial instruments carried at fair value			
	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	7	—	—	7
Unquoted shares	—	—	73	73
Malaysian Government Securities	—	518	—	518
Corporate Bonds and Sukuk	—	3,467	—	3,467
Forward foreign exchange contracts	—	10	—	10
Long-term receivables	—	—	22,653	22,653
	7	3,995	22,726	26,728

Financial liabilities

Forward foreign exchange contracts	—	(18)	—	(18)
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Company 2019 <i>In RM Mil</i>	Fair value of financial instruments not carried at fair value			Carrying amount
	Level 2	Level 3	Total	
Financial assets				
Long-term receivables	—	101,961	101,961	98,547
Deposits with licensed bank	—	977	977	977
	—	102,938	102,938	99,524

Financial liabilities

Notes and Bonds	(24,074)	—	(24,074)	(21,371)
Islamic financing facilities	(5,125)	—	(5,125)	(5,121)
Other long-term liabilities	—	(9,795)	(9,795)	(9,759)
	(29,199)	(9,795)	(38,994)	(36,251)

Company 2020 <i>In RM Mil</i>	Fair value of financial instruments carried at fair value			
	Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	6	—	—	6
Unquoted shares	—	—	73	73
Malaysian Government Securities	—	254	—	254
Corporate Bonds and Sukuk	—	4,812	—	4,812
Forward foreign exchange contracts	—	17	—	17
Long-term receivables	—	—	24,851	24,851
	6	5,083	24,924	30,013

Financial liabilities

Forward foreign exchange contracts	—	(21)	—	(21)
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39. FINANCIAL INSTRUMENTS (continued)**Fair value information (continued)**

Company 2020 <i>In RM Mil</i>	Fair value of financial instruments not carried at fair value			Carrying amount
	Level 2	Level 3	Total	
Financial assets				
Long-term receivables	—	104,107	104,107	94,947
Unquoted securities	—	230	230	230
Deposits with licensed bank	—	90	90	90
	—	104,427	104,427	95,267
Financial liabilities				
Notes and Bonds	(56,156)	—	(56,156)	(45,014)
Other long-term liabilities	—	(11,471)	(11,471)	(11,471)
	(56,156)	(11,471)	(67,627)	(56,485)

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 instruments

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. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

39. FINANCIAL INSTRUMENTS (continued)**Income/(expense), net gains and losses arising from financial instruments**

Group 2019					
<i>In RM Mil</i>	Interest income	Interest expense	Net impairment losses/ write-off	Others	Total
Financial assets at fair value through profit or loss:					
- mandatorily required by MFRS 9	334	—	—	158	492
Financial assets at fair value through OCI:					
- recognised in equity	—	—	—	40	40
Financial assets at amortised cost:					
- recognised in profit or loss	6,555	—	28	(233)	6,350
- recognised in equity	—	—	—	(38)	(38)
Financial liabilities at amortised cost	—	(2,427)	—	195	(2,232)
Total	6,889	(2,427)	28	122	4,612
2020					
Financial assets at fair value through profit or loss:					
- mandatorily required by MFRS 9	458	—	—	234	692
Financial assets at fair value through OCI:					
- recognised in equity	—	—	—	13	13
Financial assets at amortised cost:					
- recognised in profit or loss	4,380	—	78	(3,287)	1,171
- recognised in equity	—	—	—	(308)	(308)
Financial liabilities at amortised cost	—	(2,781)	—	2,194	(587)
Total	4,838	(2,781)	78	(1,154)	981

39. FINANCIAL INSTRUMENTS (continued)**Income/(expense), net gains and losses arising from financial instruments (continued)**

Company			Net impairment losses/ (write- back)	Others	Total
2019					
<i>In RM Mil</i>	Interest income	Interest expense			
Financial instruments at fair value through profit or loss:					
- mandatorily required by MFRS 9	164	—	—	2,357	2,521
Financial assets at amortised cost	6,575	—	103	(653)	6,025
Financial liabilities at amortised cost	—	(3,387)	—	195	(3,192)
Total	6,739	(3,387)	103	1,899	5,354
2020					
Financial instruments at fair value through profit or loss:					
- mandatorily required by MFRS 9	306	—	—	1,552	1,858
Financial assets at amortised cost	5,022	—	(340)	(3,356)	1,326
Financial liabilities at amortised cost	—	(2,733)	—	2,194	(539)
Total	5,328	(2,733)	(340)	390	2,645

Others relate to gains and losses arising from financial instruments such as realised and unrealised foreign exchange gains or losses, dividend income and fair value gains or losses.

40. CAPITAL MANAGEMENT

The Group, as an essential part of its capital management strategy, is committed towards achieving financial resilience and ensuring long-term business sustainability as outlined in the PETRONAS Financial Policy (formerly known as 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.

41. AMENDMENTS TO MFRS AND PRONOUNCEMENTS ISSUED BY MASB

Adoption of new and revised pronouncements

As of 1 January 2020, 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 2020

Amendments to MFRS 3 *Business Combinations (Definition of a Business)*

Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

Amendment to MFRS 16 *Leases (COVID-19 Related Rent Concessions)*

Amendments to MFRS 101 *Presentation of Financial Statements (Definition of Material)*

Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)*

The Group and the Company have early adopted the Amendment to MFRS 16 *Leases (COVID-19 Related Rent Concessions)* issued by MASB in June 2020, in response to the COVID-19 pandemic. The amendment is effective for annual periods beginning on or after 1 June 2020.

The initial application of the above-mentioned pronouncements did not have any material impact to the financial statements of the Group and the Company.

Pronouncements yet in effect

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and the Company in these financial statements:

Effective for annual periods beginning on or after 1 January 2021

Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement*, MFRS 7 *Financial Instruments: Disclosures*, MFRS 4 *Insurance Contracts* and MFRS 16 *Leases (Interest Rate Benchmark Reform – Phase 2)*

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 9 *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*

Amendments to Illustrative Examples accompanying MFRS 16 *Leases (Annual Improvements to MFRS Standards 2018–2020)*

Amendments to MFRS 3 *Business Combinations (Reference to the Conceptual Framework)*

Amendments to MFRS 116 *Property, Plant and Equipment (Property, Plant and Equipment—Proceeds before Intended Use)*

Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts—Cost of Fulfilling a Contract)*

Effective for annual periods beginning on or after 1 January 2023

MFRS 17 *Insurance Contracts*

Amendments to MFRS 101 *Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)*

41. AMENDMENTS TO MFRS AND PRONOUNCEMENTS ISSUED BY MASB (continued)

Pronouncements yet in effect (continued)

Effective for a date yet to be confirmed

Amendments to MFRS 10 *Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Amendments to MFRS 128 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company are expected to apply the above-mentioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the above-mentioned pronouncements are not expected to have any material impacts to the financial statements of the Group and the Company.

New pronouncements not applicable to the Group and the Company

The MASB has issued pronouncements which is not relevant to the Group and the Company and hence, no further disclosure is warranted.

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*

Amendments to MFRS 141 *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

42. IMPACT OF THE ADOPTION OF PRONOUNCEMENTS**2018****(i) Classification and measurement of financial assets and financial liabilities on the date of initial application of MFRS 9 Financial Instruments**

The following tables and the accompanying notes below show the measurement under MFRS 139 *Financial Instruments* and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 January 2018 based on the business model assessment.

Group In RM Mil Category under MFRS 139	At 1.1.2018				
	At 31.12.2017	Remeasurement	Reclassification to new MFRS 9 category		
			Amortised cost	FVTPL- mandatorily at FVTPL	FVOCI- equity
Financial assets					
<i>Loans and receivables</i>					
Long-term receivables	13,646	(65)	13,581	—	—
Trade and other receivables	37,035	(463)	36,572	—	—
Cash and cash equivalent	128,209	—	128,209	—	—
	178,890	(528)	178,362	—	—
<i>Available for sale ("AFS")</i>					
Malaysian Government Securities	9	—	—	9	—
Corporate Bonds and Sukuk	2,854	—	—	2,854	—
Quoted shares	3,241	—	—	3,241	—
Quoted securities	37	—	—	37	—
Unquoted shares	443	26	—	166	303
	6,584	26	—	6,307	303
<i>Fair value through profit or loss ("FVTPL") - Held for trading ("HFT")</i>					
Interest rate swaps	30	—	—	30	—
Forward gas contracts	166	—	—	166	—
Forward foreign exchange contracts	219	—	—	219	—
Forward oil/gas price swaps	64	—	—	64	—
	479	—	—	479	—

42. IMPACT OF THE ADOPTION OF PRONOUNCEMENTS (continued)**2018 (continued)****(i) Classification and measurement of financial assets and financial liabilities on the date of initial application of MFRS 9 Financial Instruments (continued)**

Group <i>In RM Mil</i>	At 31.12.2017	Remeasurement	At 1.1.2018	
			Reclassification to new MFRS 9 category	FVTPL- mandatorily at FVTPL
Category under MFRS 139				
Financial assets				
<i>FVTPL - Designated upon initial recognition ("DUIR")</i>				
Malaysia Government Securities	33	—	—	33
Corporate Bonds and Sukuk	21	—	—	21
Quoted shares	554	—	—	554
Quoted securities	1,106	—	—	1,106
	1,714	—	—	1,714
Financial liabilities				
<i>Other financial liabilities measured at amortised cost</i>				
Other long-term liabilities	(1,744)	—	(1,744)	—
Borrowings	(64,149)	—	(64,149)	—
Trade and other payables	(45,146)	—	(45,146)	—
	(111,039)	—	(111,039)	—
<i>FVTPL - HFT</i>				
Commodity swaps	(51)	—	—	(51)
Forward gas contracts	(221)	—	—	(221)
Forward foreign exchange contracts	(117)	—	—	(117)
Forward oil/gas price swaps	(95)	—	—	(95)
	(484)	—	—	(484)

Reclassification from AFS to FVTPL-mandatorily at FVTPL

These are investments which are not held for strategic purposes. As a result, the carrying amount of RM6,281 million was reclassified from available-for-sale to fair value through profit or loss. The fair value gains of RM1,210 million were reclassified from fair value reserve to retained profits at 1 January 2018.

42. IMPACT OF THE ADOPTION OF PRONOUNCEMENTS (continued)**2018 (continued)***(i) Classification and measurement of financial assets and financial liabilities on the date of initial application of MFRS 9 Financial Instruments (continued)*

Company <i>In RM Mil</i>	At 1.1.2018				
	Reclassification to new MFRS 9 category				
	At 31.12.2017	Remeasurement	Amortised cost	FVTPL- mandatorily at FVTPL	FVOCI- equity
Category under MFRS 139					
<i>Financial assets</i>					
<i>Loans and receivables</i>					
Long-term receivables	116,964	(210)	116,754	—	—
Trade and other receivables	20,237	(27)	20,210	—	—
Cash and cash equivalent	65,564	—	65,564	—	—
	202,765	(237)	202,528	—	—
<i>AFS</i>					
Corporate bond and sukuk	597	—	—	597	—
Quoted shares	85	—	—	10	75
	682	—	—	607	75
<i>FVTPL - DUIR</i>					
Malaysia Government Securities	33	—	—	33	—
Corporate bond and sukuk	741	—	—	741	—
	774	—	—	774	—
<i>FVTPL - HFT</i>					
Derivative assets	8	—	—	8	—
	8	—	—	8	—

42. IMPACT OF THE ADOPTION OF PRONOUNCEMENTS (continued)**2018 (continued)****(i) Classification and measurement of financial assets and financial liabilities on the date of initial application of MFRS 9 Financial Instruments (continued)**

Company <i>In RM Mil</i>	At 31.12.2017	Remeasurement	At 1.1.2018	
			Reclassification to new MFRS 9 category	FVTPL-mandatorily at FVTPL
Financial liabilities				
<i>Other financial liabilities measured at amortised cost</i>				
Other long-term liabilities	(1,744)	—	(1,744)	—
Borrowings	(38,360)	—	(38,360)	—
Trade and other payables	(19,854)	—	(19,854)	—
	(59,958)	—	(59,958)	—
 <i>FVTPL - HFT</i>				
Derivative liabilities	(21)	—	—	(21)
	(21)	—	—	(21)

(ii) Impact on financial statements

The following table summarises the impact of the above changes on the Group's and the Company's financial position as at initial application:

Group <i>In RM Mil</i>	MFRS 9		
	At 31.12.2017	adjustments	At 1.1.2018
Consolidated Statement of Financial Position			
Long-term receivables	13,993	(65)	13,928
Trade and other receivables	44,035	(463)	43,572
Fund and other investments	8,298	26	8,324
Retained profits	330,727	769	331,496
Non-controlling Interests	43,041	(61)	42,980
Other reserves	59,067	(1,210)	57,857

42. IMPACT OF THE ADOPTION OF PRONOUNCEMENTS (continued)**2018 (continued)****(ii) Impact on financial statements (continued)**

Company <i>In RM Mil</i>	At 31.12.2017	MFRS 9 adjustments	At 1.1.2018
Statement of Financial Position			
Long-term receivables	117,595	(210)	117,385
Trade and other receivables	20,384	(27)	20,357
Retained profits	276,612	(227)	276,385
Other reserves	10	(10)	—

(iii) Impairment of financial assets

The Group and the Company has determined that the application of MFRS 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment losses as follows:

	Group	Company
Loss allowance at 31 December 2017 under MFRS 139	7,636	737
Additional impairment losses recognised at 1 January 2018 on:		
Long-term receivables	65	210
Trade and other receivables	463	27
Loss allowance at 1 January 2018 under MFRS 9	8,164	974

Additional information about how the Group and the Company measure the allowance for impairment losses are described in note 39.

(iv) Impacts of MFRS 15 Revenue from Contracts with Customers

The initial application of MFRS 15 did not have a significant impact on the Group's and the Company's financial statements except for certain classifications made to conform with MFRS 15 requirement.

(v) Hedge accounting

The Group has elected to continue applying the hedge accounting model in MFRS 139.

42. IMPACT OF THE ADOPTION OF PRONOUNCEMENTS (continued)**2019**

Since the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019 and amendments to MFRS 123 prospectively, there are no adjustments made to the prior period presented.

a) Impact of the adoption of MFRS 16

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statement of financial position at 1 January 2019.

<i>In RM Mil</i>	Group	Company
Operating lease commitments at 31 December 2018 as disclosed in the financial statements	3,013	14,786
Discounted using the incremental borrowing rate at 1 January 2019	2,777	8,696
Finance lease liabilities recognised as at 31 December 2018	1,864	1,836
Operating lease recognised	6,130	5
Lease liabilities recognised at 1 January 2019	10,771	10,537
	Adjustments at 1 January 2019	
<i>In RM Mil</i>	Group	Company
Increase in assets	7,193	7,408
Decrease in equity	1,714	1,293
Increase in lease liabilities	8,907	8,701

b) Impact of the adoption of Amendments to MFRS 123 (Annual Improvements 2015 – 2017 Cycle)

The initial application of MFRS 123 did not have a significant impact on the Group's and the Company's financial statements.

43. KEY SUBSIDIARIES AND ACTIVITIES

The subsidiary undertakings of the Company at 31 December 2019 and 2020 and the Group percentage of share capital are set out below.

		Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
		2019	2020		
		%	%		
*	PETRONAS Carigali Sdn. Bhd.	100	100	Malaysia	Petroleum exploration, development and production
	PC JDA Limited	100	100	Republic of Mauritius	Petroleum operations
	PETRONAS Carigali Overseas Sdn. Bhd.	100	100	Malaysia	Investment holding and petroleum operations
	E&P Malaysia Venture Sdn. Bhd.	100	100	Malaysia	Petroleum operations
	Vestigo Petroleum Sdn. Bhd.	100	100	Malaysia	Petroleum operations
∞*	PETRONAS International Corporation Ltd.	100	100	Malaysia	Investment holding
	PETRONAS Carigali Iraq Holding B.V.	100	100	Netherlands	Petroleum operations
	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	Marketing and selling of crude oil
	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

43. KEY SUBSIDIARIES AND ACTIVITIES (continued)

	Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
	2019 %	2020 %		
PETRONAS Carigali (Jabung) Ltd.	100	100	Bahamas	Petroleum operations
PETRONAS Carigali Nile Ltd.	100	100	Republic of Mauritius	Petroleum operations
PETRONAS (E&P) Overseas Ventures Sdn. Bhd.	100	100	Malaysia	Investment holding
Natuna 1 B.V.	100	100	Netherlands	Petroleum operations
PETRONAS Carigali Canada B.V.	100	100	Netherlands	Investment holding
PETRONAS Energy Canada Ltd.	100	100	Canada	Petroleum and gas exploration, development and production
North Montney LNG Limited Partnership	100	100	Canada	Participation in LNG Canada construction and operations activities, liquefaction of natural gas as LNG, storage, marketing of LNG
PETRONAS E&P Argentina S.A.	100	100	Argentina	Petroleum and gas exploration, development and production
PETRONAS South Caucasus S.à r.l.	100	100	Luxembourg	Investment holding
PETRONAS Azerbaijan (Shah Deniz) S.à r.l.	100	100	Luxembourg	Petroleum operations
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
PC Oman Ventures Ltd.	100	100	Mauritius	Petroleum operations

43. KEY SUBSIDIARIES AND ACTIVITIES (continued)

	Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
	2019	2020		
	%	%		
PETRONAS Petróleo Brasil Ltda.	100	100	Brazil	Petroleum operations
PETRONAS Power Sdn. Bhd.	100	100	Malaysia	Investment holding
PETRONAS LNG Sdn. Bhd.	100	100	Malaysia	Investment holding
∞ PETRONAS LNG Ltd.	100	100	Malaysia	Trading of natural gas and LNG
PETRONAS Energy Trading Limited	100	100	United Kingdom	Trading of energy and gas marketing
* PETRONAS Gas & New Energy Sdn. Bhd. (f.k.a. PETRONAS eLearning Solutions Sdn. Bhd.)	100	100	Malaysia	Investment holding
* Malaysia LNG Sdn. Bhd.	90	90	Malaysia	Liquefaction and sale of LNG
* Malaysia LNG Dua Sdn. Bhd.	80	80	Malaysia	Liquefaction and sale of LNG
* Malaysia LNG Tiga Sdn. Bhd.	60	60	Malaysia	Liquefaction and sale of LNG
* PETRONAS LNG 9 Sdn. Bhd.	65	65	Malaysia	Purchase and liquefaction of natural gas and marketing of LNG
∞* PETRONAS Floating LNG 1 (L) Ltd.	100	100	Malaysia	Purchase and liquefaction of natural gas and marketing of LNG
∞* PETRONAS Floating LNG 2 (L) Ltd.	100	100	Malaysia	Developing, constructing, owning, operating and maintaining an integrated floating natural gas liquefaction, storage and off loading facility

43. KEY SUBSIDIARIES AND ACTIVITIES (continued)

		Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
		2019	2020		
		%	%		
*	PETRONAS Energy & Gas Trading Sdn. Bhd.	100	100	Malaysia	Trading and marketing of processed gas
*	PETRONAS International Power Corporation (Mauritius) Ltd.	100	100	Mauritius	Investment holding
*	PETRONAS International Power Corporation B.V.	100	100	Netherlands	Investment holding
	Amplus Energy Solutions Pte. Ltd. (Singapore)	100	100	Singapore	Investment holding of solar power generation entities in India
*	PETRONAS Marketing International Sdn. Bhd.	100	100	Malaysia	Investment holding
	Engen Limited	74	74	South Africa	Refining of crude oil and marketing of refined petroleum products
@*	PETRONAS Dagangan Berhad	63.9	63.9	Malaysia	Domestic marketing of petroleum products
@*	PETRONAS Gas Berhad	51	51	Malaysia	Processing and transmission of natural gas
	Regas Terminal (Sg. Udang) Sdn. Bhd.	51	51	Malaysia	Manage and operate LNG regasification terminal
	Pengerang LNG (Two) Sdn. Bhd.	33.2	33.2	Malaysia	Manage and operate LNG regasification terminal
*	PETRONAS Refinery & Petrochemical Corporation Sdn. Bhd.	100	100	Malaysia	Development and ownership of Refinery and Petrochemical Integrated Complex

43. KEY SUBSIDIARIES AND ACTIVITIES (continued)

	Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
	2019 %	2020 %		
PRPC Utilities & Facilities Sdn. Bhd.	100	100	Malaysia	Supply and service of utilities and common facilities and infrastructures
Pengerang Power Sdn. Bhd.	100	100	Malaysia	Developing and operating a power generation plant and distribution of electricity and steam
* PETRONAS Penapisan (Melaka) Sdn. Bhd.	100	100	Malaysia	Refining and condensation of crude oil
* Malaysian Refining Company Sdn. Bhd.	100	100	Malaysia	Refining and condensation of crude oil
* PETRONAS Penapisan (Terengganu) Sdn. Bhd.	100	100	Malaysia	Refining and condensation of crude oil
* PETRONAS Trading Corporation Sdn. Bhd.	100	100	Malaysia	Marketing of crude oil and trading in crude oil and petroleum products and investment holding
∞ 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

43. KEY SUBSIDIARIES AND ACTIVITIES (continued)

		Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
		2019	2020		
		%	%		
@*	PETRONAS Chemicals Group Berhad	64.3	64.3	Malaysia	Investment holding
	PETRONAS Chemical Isononanol Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of processed chemicals and all petrochemicals and chemicals products
∞	PETRONAS Chemicals Marketing (Labuan) Ltd.	64.3	64.3	Malaysia	Marketing and trading of petrochemical products
	PETRONAS Chemicals Fertiliser Kedah Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of urea, ammonia and methanol
	PETRONAS Chemicals Marketing Sdn. Bhd.	64.3	64.3	Malaysia	Investment holding
	PETRONAS Chemicals Methanol Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of methanol
	PETRONAS Chemicals MTBE Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of methyl tertiary butyl ether and propylene
	PETRONAS Chemicals Olefins Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of ethylene, propylene and other hydrocarbon by-products
	Asean Bintulu Fertilizer Sdn. Bhd.	40.8	40.8	Malaysia	Processing of natural gas into urea and ammonia
	PETRONAS Chemicals Derivatives Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of ethylene oxide derivatives, propylene derivatives and related chemical products
	PETRONAS Chemicals Polyethylene Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of polyethylene
	PETRONAS Chemicals Ethylene Sdn. Bhd.	56.3	56.3	Malaysia	Production and sale of ethylene

43. KEY SUBSIDIARIES AND ACTIVITIES (continued)

	Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
	2019 %	2020 %		
PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of ammonia and urea
PETRONAS Chemicals LDPE Sdn. Bhd.	64.3	64.3	Malaysia	Production and sale of low-density polyethylene pellets ("LDPE")
PETRONAS Chemicals International B.V.	64.3	64.3	Netherlands	Investment holding
Da Vinci Group B.V.	64.3	64.3	Netherlands	Own-brand reselling, formulating and manufacturing of silicones, lube oil additives and chemicals
* PrimeSourcing International Sdn. Bhd.	100	100	Malaysia	Marketing and trading of steel, mechanical and electrical instrumentation, chemical and catalyst
* 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
PETRONAS Lubrificantes Brasil S.A.	100	100	Brazil	Manufacturing and marketing of lubricant products
PETRONAS Lubricants China Co.,Ltd	100	100	Hong Kong	Investment holding
@* MISC Berhad	57.6	51	Malaysia	Shipping and shipping related activities
AET Tanker Holdings Sdn. Bhd.	57.6	51	Malaysia	Investment holding
@ Malaysia Marine and Heavy Engineering Holdings Berhad	38.3	33.9	Malaysia	Investment holding

43. KEY SUBSIDIARIES AND ACTIVITIES (continued)

		Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
		2019	2020		
		%	%		
	Malaysia Marine and Heavy Engineering Sdn. Bhd.	38.3	33.9	Malaysia	Provision of oil and gas engineering and construction works, and marine conversion and repair services
∞	Gas Asia Terminal (L) Pte. Ltd.	57.6	51	Malaysia	Development and ownership of LNG floating storage units
∞	MISC Capital (L) Ltd.	57.6	51	Malaysia	Special purpose vehicle for financing arrangement
∞	MISC Offshore Floating Terminals (L) Ltd.	57.6	51	Malaysia	Offshore floating terminals ownership
∞	Gumusut-Kakap Semi-Floating Production System (L) Limited	57.6	51	Malaysia	Owning and leasing of semi-submersible floating production system
	MISC Tankers Sdn. Bhd.	57.6	51	Malaysia	Investment holding and provision of management services
	MISC Tanker Holdings Sdn. Bhd.	57.6	51	Malaysia	Investment holding
	MISC Tanker Holdings (Bermuda) Limited	57.6	51	Bermuda	Investment holding
*	KLCC (Holdings) Sdn. Bhd.	100	100	Malaysia	Investment holding, property development management and provision of management services
	Rantau Recreation Sdn. Bhd. (f.k.a. KLCC Convention Centre Sdn. Bhd.)	100	100	Malaysia	Property investment
	Putrajaya Holdings Sdn. Bhd.	64.4	64.4	Malaysia	Property development and investment
#	Cititower Sdn. Bhd.	50	68.8	Malaysia	Property investment
@	KLCC Property Holdings Berhad	75.5	66.9	Malaysia	Investment holding, property investment and provision of management services

43. KEY SUBSIDIARIES AND ACTIVITIES (continued)

	Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
	2019	2020		
	%	%		
[^] @ KLCC Real Estate Investment Trust ("KLCC REIT")	-	-	Malaysia	To invest in a Shariah compliant portfolio of real estate assets and real estate related assets
Suria KLCC Sdn. Bhd.	45.3	39	Malaysia	Property investment
Putrajaya Homes Sdn. Bhd.	64.4	64.4	Malaysia	General construction and property development
Putrajaya Ventures Sdn. Bhd.	64.4	64.4	Malaysia	Property development
Putrajaya Bina Sdn. Bhd.	64.4	64.4	Malaysia	Leasing of building and property management
* Institute of Technology PETRONAS Sdn. Bhd.	100	100	Malaysia	Institute of higher learning
∞* Energas Insurance (L) Limited	100	100	Malaysia	Offshore captive insurance business
∞* PETRONAS Capital Limited	100	100	Malaysia	Investment holding
β ∞ PETRONAS Global Sukuk Limited	-	-	Malaysia	Investment holding
β Petroleum Research Fund	-	-	Malaysia	Providing financial contributions to research activities relating to petroleum and other energy sources industry
β Abandonment Cess Fund	-	-	Malaysia	Manage, hold and utilise the trust fund to discharge obligations for the Abandonment of Petroleum Facilities in Malaysia
* PETRONAS Assets Sdn. Bhd.	100	100	Malaysia	Owning and leasing of assets
* PETRONAS Hartabina Sdn. Bhd.	100	100	Malaysia	Property holding
* PETRONAS Technical Training Sdn. Bhd.	100	100	Malaysia	Provision of training services

43. KEY SUBSIDIARIES AND ACTIVITIES (continued)

		Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
		2019	2020		
		%	%		
*	PETRONAS Management Training Sdn. Bhd.	100	100	Malaysia	Provision of training services
*	PETRONAS NGV Sdn. Bhd.	100	100	Malaysia	Promoting and retailing of natural gas for vehicles
*	PETRONAS Research Sdn. Bhd.	100	100	Malaysia	Provision of research, advisory and technology development services
*	PETRONAS Technical Services Sdn. Bhd.	100	100	Malaysia	Provision of technical and project management services
*	Petrosains Sdn. Bhd.	100	100	Malaysia	Management of a petroleum discovery centre
*	Sanzbury Stead Sdn. Bhd.	100	100	Malaysia	Property holding
*	OGP Technical Services Sdn. Bhd.	100	100	Malaysia	Provision of technical and project management services
*	Marmel Incorporated	100	100	Republic of Liberia	Investment holding

* Subsidiaries held directly by the Company.

∞ Companies incorporated under the Labuan Companies Act 1990.

@ The shares of these subsidiaries are quoted on the Main Market of Bursa Malaysia Securities Berhad.

^ The Group does not hold any ownership interest in KLCC Real Estate Investment Trust ("KLCC REIT"). However, the Group exercises power by virtue of its control over KLCC REIT Management Sdn. Bhd., the manager of KLCC REIT. KLCC REIT units are stapled to the ordinary shares of KLCC Property Holdings Berhad ("KLCCP") such that the shareholders of KLCCP are exposed to variable returns from its involvement with KLCC REIT and the Group has the ability to affect those returns through its power over KLCC REIT. Consequently, KLCC REIT is regarded as a subsidiary of the Group.

β The Group does not hold any ownership interest in these funds/entities. However, the Group has the rights to appoint and remove members of Board of Trustees funds/Directors, which is the decision making body of the funds/entities and able to determine the manner in which balance of the funds, after fulfilment of certain obligation, should be distributed upon dissolution. Consequently, the funds/entities is regarded as subsidiaries of the Group.

Further details are disclosed in Note 32.

44. KEY ASSOCIATES AND ACTIVITIES

		Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
		2019	2020		
		%	%		
	BASF PETRONAS Chemicals Sdn. Bhd.	25.7	25.7	Malaysia	Purchases propylene and n-butane feedstock from the Group for production, marketing and sale of acrylic, oxo and butanediol products
	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	8.9	8.9	Malaysia	Selling, marketing, distribution and promotion of natural gas
	IDKU Natural Gas Liquefaction Company S.A.E.	38	38	Egypt	Manufacturing and production of LNG for the purpose of export
	Tchad Oil Transportation Company - S.A.	30.2	30.2	Republic of Chad	Pipeline operations

44. KEY ASSOCIATES AND ACTIVITIES (continued)

		Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
		2019	2020		
		%	%		
	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
#	South Caucasus Pipeline Holding Company	15.5	15.5	Cayman Islands	Investment holding
#	South Caucasus Pipeline Company	15.5	15.5	Cayman Islands	Pipeline operations
#	Azerbaijan Gas Supply Company Ltd.	12.4	12.4	Cayman Islands	Marketing and selling of natural gas
#	Although the Group has less than 20% of the ownership in the equity interest of these associates, 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.				

45. KEY JOINT ARRANGEMENTS AND ACTIVITIES

	Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
	2019 %	2020 %		
BP PETRONAS Acetyls Sdn. Bhd.	19.3	19.3	Malaysia	Manufacture, sell and distribute acetic acid
Trans Thai-Malaysia (Thailand) Ltd.	50	50	Thailand	Gas pipeline transportation and gas separation services
Trans Thai-Malaysia (Malaysia) Sdn. Bhd.	50	50	Malaysia	Transporting and delivering gas products
Indianoil PETRONAS Private Limited	50	50	India	Manufacture and bottling services of Liquid Petroleum Gas (“LPG”)
Kimanis Power Sdn. Bhd.	30.6	30.6	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.	29.4	26.0	Malaysia	Floating production storage and off-loading (“FPSO”) owner
Guangxi Beihai Yuchai High Quality Lube Co., Ltd.	50	50	China	Manufacturing and marketing of lubricant products
Guangxi Nanning Yuchai Lube Co., Ltd.	50	50	China	Manufacturing and marketing of lubricant products
Pengerang Terminals (Two) Sdn. Bhd.	40	40	Malaysia	Undertake activities related to terminal storage facilities for petroleum and petrochemical products

45. KEY JOINT ARRANGEMENTS AND ACTIVITIES (continued)

	Effective ownership interest and voting interest		Country of Incorporation	Principal Activities
	2019	2020		
	%	%		
Pengerang Refining Company Sdn. Bhd.	50	50	Malaysia	Undertake blending, processing or cracking of crude, condensates, feedstock or intermediate feedstock
Pengerang Petrochemical Company Sdn. Bhd.	32	32	Malaysia	Sales of products within ethane and propane chains and ethane derivatives to the joint operators

[∞] Company incorporated under the Labuan Companies Act 1990.

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Maybank Investment Bank Berhad

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KPMG PLT

Level 10, KPMG Tower
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Selangor, Malaysia



The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or any U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)) except to qualified institutional buyers (as defined in Rule 144A under the Securities Act (“**Rule 144A**”)) in reliance on Rule 144A. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the Notes may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. Nothing in the Offering Circular or this communication shall constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction in which such offer or sale would be unlawful.

This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (“**Professional Investors**”) only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be so listed on The Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”) on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Program and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Program and the Notes or the Issuer and the Guarantor or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Guarantor. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

MIFID II product governance / Professional investors and ECPs only target market—Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS—The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS—The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of United Kingdom domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of United Kingdom domestic law by virtue of the EUWA (as amended, the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

Section 309B(1)(c) Notification—The Notes shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

April 22, 2021

PETRONAS CAPITAL LIMITED

Issue of US\$1,250,000,000 2.480% Guaranteed Notes due 2032

guaranteed by Petroliam Nasional Berhad (PETRONAS)

**under its U.S.\$15,000,000,000
Multi-currency Global Medium Term Note Program**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “**Conditions**”) set forth in the offering circular dated February 26, 2021 (the “**Offering Circular**”). This Pricing Supplement contains the final terms of the Notes and is supplemental to, and must be read in conjunction with, such Offering Circular.

- | | | |
|----|-----------------------------------|---|
| 1. | (i) Issuer: | PETRONAS Capital Limited (with the legal entity identifier of 549300G7YFX3540OYR85) |
| | (ii) Guarantor: | Petroliam Nasional Berhad (PETRONAS) |
| 2. | (a) Series Number: | 8 |
| | (b) Tranche Number: | 1 |
| | (c) Re-opening: | No |
| 3. | Specified Currency or Currencies: | U.S. dollar |
| 4. | Aggregate Nominal Amount: | |

- | | | |
|-----|--|---|
| | (a) Series: | US\$1,250,000,000 |
| | (b) Tranche: | US\$1,250,000,000 |
| 5. | (a) Issue Price of Tranche: | 99.983% of the Aggregate Principal Amount, plus accrued interest, if any, from April 28, 2021 |
| | (b) Net Proceeds (after deducting commissions and estimated expenses in relation to the offering): | US\$1,247,037,500 |
| | (c) Use of Proceeds: | The net proceeds from the issuance will be provided by the Issuer to PETRONAS. PETRONAS, in turn, will use the proceeds for its debt refinancing and general corporate purposes, including on-lending to its subsidiaries and/or associated companies |
| 6. | (a) Specified Denominations: | U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. |
| | (b) Calculation Amount: | Not applicable. |
| 7. | (a) Issue Date: | April 28, 2021 |
| | (b) Trade Date | April 22, 2021 |
| | (c) Interest Commencement Date: | Issue Date |
| 8. | Maturity Date: | January 28, 2032 |
| 9. | Interest Basis: | 2.480% Fixed Rate |
| 10. | Redemption/Payment Basis: | Redemption at par |
| 11. | Change of Interest Basis or Redemption/Payment Basis: | Not applicable. |
| 12. | Put/Call Options: | Issuer Call (further particulars specified below) |
| 13. | Listing: | Bursa Malaysia Securities Berhad under an exempt regime; Labuan International Financial Exchange; and The Stock Exchange of Hong Kong Limited |
| 14. | (a) Status of the Notes: | Senior Guaranteed Notes |
| | (b) Status of the Guarantee: | Senior |
| | (c) Date of the Issuer's Board approval for the issuance of Notes obtained: | Not applicable |
| | (d) Date of the Guarantor's Board approval for the making of the Guarantee obtained: | Not applicable |

15. Method of distribution: Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. Fixed Rate Note Provisions: Applicable
- (a) Rate(s) of Interest: 2.480% per annum payable semi-annually in arrear in equal installments
- (b) Interest Payment Date(s): January 28 and July 28 in each year up to and including the Maturity Date
- (c) Fixed Coupon Amount(s): Not applicable
- (d) Broken Amount(s): Not applicable
- (e) Fixed Rate Note Provisions: Not applicable
- (f) Day Count Fraction: 30/360 unadjusted and modified following
- (g) Screen Rate Determination: Not applicable
- (h) Other terms relating to the method of calculating interest for Fixed Rate Notes: None
17. Floating Rate Note Provisions: Not applicable
18. Zero Coupon Note Provisions: Not applicable
19. *[Intentionally omitted]*
20. Dual Currency Interest Note Provisions: Not applicable

PROVISIONS RELATING TO REDEMPTION

21. Issuer Call: Applicable
- (a) Optional Redemption Date(s): On or after October 28, 2031
- (b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): Redemption at par
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: US\$200,000
- (ii) Maximum Redemption Amount: Aggregate Nominal Amount

- | | |
|--|------------------------------|
| (d) Notice period (if other than as set out in the Conditions): | Condition 8.3(a) shall apply |
| 22. Investor Put: | Not applicable |
| 23. Final Redemption Amount: | Redemption at par |
| 24. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same: | Condition 8.6 shall apply |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- | | |
|--|--|
| 25. Form of Notes: | Registered Notes:

Regulation S Global Note registered in the name of a nominee for DTC

Rule 144A Global Note registered in the name of a nominee for DTC |
| 26. Additional Financial Center(s) or other special provisions relating to Payment Days: | Not applicable |
| 27. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature): | No |
| 28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | Not applicable |
| 29. Details relating to Installment Notes: | |
| (a) Installment Amount(s): | Not applicable |
| (b) Installment Date(s): | Not applicable |
| 30. Other terms: | Not applicable |

Distribution

- | | |
|---|---|
| 31. (a) If syndicated, names of Managers: | Merrill Lynch (Singapore) Pte. Ltd. and Citigroup Global Markets Limited as Joint Global Coordinators and Joint Bookrunners, The Hongkong and Shanghai Banking Corporation Limited, Malayan |
|---|---|

Banking Berhad and MUFG Securities Asia Limited as Joint Bookrunners

- (b) Stabilizing Managers (if any): Merrill Lynch (Singapore) Pte. Ltd.
32. If not syndicated, name of Relevant Dealer: Not applicable
33. U.S. Selling Restrictions: Regulation S Category 2
- TEFRA not applicable
- Notes may be offered and sold to QIBs
34. Additional selling restrictions: Not applicable

Operational Information

35. Any clearing system(s) other than Euroclear and Clearstream and the relevant identification number(s): DTC and Euroclear and Clearstream hold through DTC
36. Delivery: Settlement with Issuer is delivery free of payment
37. Additional Paying Agent(s) (if any): Not applicable
- ISIN: Rule 144A: US71675CAB46 Regulation S: USY6886MAE04
- CUSIP: Rule 144A: 71675CAB4 Regulation S: Y6886MAE0

LISTING AND ADMISSION TO TRADING APPLICATION

This Pricing Supplement comprises the pricing supplement required to list the issue of Notes described herein pursuant to the U.S.\$15,000,000,000 Multi-currency Global Medium Term Note Program of the Issuer and the Guarantor.

Each of Bursa Malaysia Securities Berhad, Labuan International Financial Exchange, and The Stock Exchange of Hong Kong Limited (the “**Stock Exchanges**”) assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Pricing Supplement. Approval in-principle from, or admission of the Notes to, and the listing and quotation of the Notes on, the Stock Exchanges is not to be taken as an indication of the merits of the Issuer or the Guarantor, the Program or the Notes.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:

Duly authorized

NURAINI ISMAIL
DIRECTOR

Signed on behalf of the Guarantor:

By:

Duly authorized

LIZA MUSTAPHA
Senior Vice President &
Group Chief Financial Officer

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or any U.S. state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)) except to qualified institutional buyers (as defined in Rule 144A under the Securities Act (“**Rule 144A**”)) in reliance on Rule 144A. Prospective purchasers that are qualified institutional buyers are hereby notified that the seller of the Notes may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. Nothing in the Offering Circular or this communication shall constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction in which such offer or sale would be unlawful.

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Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Program and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Program and the Notes or the Issuer and the Guarantor or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Guarantor. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

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PROHIBITION OF SALES TO UNITED KINGDOM RETAIL INVESTORS—The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the “**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of United Kingdom domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of United Kingdom domestic law by virtue of the EUWA (as amended, the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

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April 22, 2021

PETRONAS CAPITAL LIMITED

Issue of US\$1,750,000,000 3.404% Guaranteed Notes due 2061

guaranteed by Petroliam Nasional Berhad (PETRONAS)

**under its U.S.\$15,000,000,000
Multi-currency Global Medium Term Note Program**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “**Conditions**”) set forth in the offering circular dated February 26, 2021 (the “**Offering Circular**”). This Pricing Supplement contains the final terms of the Notes and is supplemental to, and must be read in conjunction with, such Offering Circular.

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| 1. | (i) Issuer: | PETRONAS Capital Limited (with the legal entity identifier of 549300G7YFX3540OYR85) |
| | (ii) Guarantor: | Petroliam Nasional Berhad (PETRONAS) |
| 2. | (a) Series Number: | 9 |
| | (b) Tranche Number: | 1 |
| | (c) Re-opening: | No |
| 3. | Specified Currency or Currencies: | U.S. dollar |
| 4. | Aggregate Nominal Amount: | |

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| | (a) Series: | US\$1,750,000,000 |
| | (b) Tranche: | US\$1,750,000,000 |
| 5. | (a) Issue Price of Tranche: | 100.000% of the Aggregate Principal Amount, plus accrued interest, if any, from April 28, 2021 |
| | (b) Net Proceeds (after deducting commissions and estimated expenses in relation to the offering): | US\$1,743,525,000 |
| | (c) Use of Proceeds: | The net proceeds from the issuance will be provided by the Issuer to PETRONAS. PETRONAS, in turn, will use the proceeds for its debt refinancing and general corporate purposes, including on-lending to its subsidiaries and/or associated companies |
| 6. | (a) Specified Denominations: | U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. |
| | (b) Calculation Amount: | Not applicable. |
| 7. | (a) Issue Date: | April 28, 2021 |
| | (b) Trade Date | April 22, 2021 |
| | (c) Interest Commencement Date: | Issue Date |
| 8. | Maturity Date: | April 28, 2061 |
| 9. | Interest Basis: | 3.404% Fixed Rate |
| 10. | Redemption/Payment Basis: | Redemption at par |
| 11. | Change of Interest Basis or Redemption/Payment Basis: | Not applicable. |
| 12. | Put/Call Options: | Issuer Call (further particulars specified below) |
| 13. | Listing: | Bursa Malaysia Securities Berhad under an exempt regime; Labuan International Financial Exchange; and The Stock Exchange of Hong Kong Limited |
| 14. | (a) Status of the Notes: | Senior Guaranteed Notes |
| | (b) Status of the Guarantee: | Senior |
| | (c) Date of the Issuer's Board approval for the issuance of Notes obtained: | Not applicable |
| | (d) Date of the Guarantor's Board approval for the making of the Guarantee obtained: | Not applicable |

15. Method of distribution: Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. Fixed Rate Note Provisions: Applicable

(a) Rate(s) of Interest: 3.404% per annum payable semi-annually in arrear in equal installments

(b) Interest Payment Date(s): April 28 and October 28 in each year up to and including the Maturity Date

(c) Fixed Coupon Amount(s): Not applicable

(d) Broken Amount(s): Not applicable

(e) Fixed Rate Note Provisions: Not applicable

(f) Day Count Fraction: 30/360 unadjusted and modified following

(g) Screen Rate Determination: Not applicable

(h) Other terms relating to the method of calculating interest for Fixed Rate Notes: None

17. Floating Rate Note Provisions: Not applicable

18. Zero Coupon Note Provisions: Not applicable

19. *[Intentionally omitted]*

20. Dual Currency Interest Note Provisions: Not applicable

PROVISIONS RELATING TO REDEMPTION

21. Issuer Call: Applicable

(a) Optional Redemption Date(s): On or after October 28, 2060

(b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): Redemption at par

(c) If redeemable in part:

(i) Minimum Redemption Amount: US\$200,000

(ii) Maximum Redemption Amount: Aggregate Nominal Amount

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| (d) Notice period (if other than as set out in the Conditions): | Condition 8.3(a) shall apply |
| 22. Investor Put: | Not applicable |
| 23. Final Redemption Amount: | Redemption at par |
| 24. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same: | Condition 8.6 shall apply |

GENERAL PROVISIONS APPLICABLE TO THE NOTES

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| 25. Form of Notes: | Registered Notes:

Regulation S Global Note registered in the name of a nominee for DTC

Rule 144A Global Note registered in the name of a nominee for DTC |
| 26. Additional Financial Center(s) or other special provisions relating to Payment Days: | Not applicable |
| 27. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature): | No |
| 28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | Not applicable |
| 29. Details relating to Installment Notes: | |
| (a) Installment Amount(s): | Not applicable |
| (b) Installment Date(s): | Not applicable |
| 30. Other terms: | Not applicable |

Distribution

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| 31. (a) If syndicated, names of Managers: | Merrill Lynch (Singapore) Pte. Ltd. and Citigroup Global Markets Limited as Joint Global Coordinators and Joint Bookrunners, The Hongkong and Shanghai Banking Corporation Limited, Malayan |
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Banking Berhad and MUFG Securities Asia Limited as Joint Bookrunners

- (b) Stabilizing Managers (if any): Merrill Lynch (Singapore) Pte. Ltd.
32. If not syndicated, name of Relevant Dealer: Not applicable
33. U.S. Selling Restrictions: Regulation S Category 2
- TEFRA not applicable
- Notes may be offered and sold to QIBs
34. Additional selling restrictions: Not applicable

Operational Information

35. Any clearing system(s) other than Euroclear and Clearstream and the relevant identification number(s): DTC and Euroclear and Clearstream hold through DTC
36. Delivery: Settlement with Issuer is delivery free of payment
37. Additional Paying Agent(s) (if any): Not applicable
- ISIN: Rule 144A: US71675CAE84 Regulation S: USY6886MAC48
- CUSIP: Rule 144A: 71675CAE8 Regulation S: Y6886MAC4

LISTING AND ADMISSION TO TRADING APPLICATION

This Pricing Supplement comprises the pricing supplement required to list the issue of Notes described herein pursuant to the U.S.\$15,000,000,000 Multi-currency Global Medium Term Note Program of the Issuer and the Guarantor.

Each of Bursa Malaysia Securities Berhad, Labuan International Financial Exchange, and The Stock Exchange of Hong Kong Limited (the “**Stock Exchanges**”) assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Pricing Supplement. Approval in-principle from, or admission of the Notes to, and the listing and quotation of the Notes on, the Stock Exchanges is not to be taken as an indication of the merits of the Issuer or the Guarantor, the Program or the Notes.

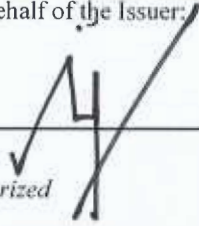
RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:

Duly authorized


NURAINI ISMAIL
DIRECTOR

Signed on behalf of the Guarantor:

By:

Duly authorized


LIZA MUSTAPHA
Senior Vice President &
Group Chief Financial Officer