



## **PETRONAS Capital Limited**

*(incorporated in Labuan, Malaysia with limited liability)*

**€750,000,000 6.375% GUARANTEED NOTES DUE 2009**

**US\$1,300,000,000 7.000% GUARANTEED NOTES DUE 2012**

**US\$750,000,000 7.875% GUARANTEED NOTES DUE 2022**

*unconditionally and irrevocably guaranteed by*

## **Petroliam Nasional Berhad**

*(incorporated in Malaysia with limited liability)*

*The 6.375% Guaranteed Notes due 2009 in the aggregate principal amount of €750,000,000 (the “EUR 2009 Notes”), the 7.000% Guaranteed Notes due 2012 in the aggregate principal amount of US\$1,300,000,000 (the “USD 2012 Notes”) and the 7.875% Guaranteed Notes due 2022 in the aggregate principal amount of US\$750,000,000 (the “USD 2022 Notes” and, together with the EUR 2009 Notes and the USD 2012 Notes, the “Notes”) will be issued by PETRONAS Capital Limited (“PETRONAS Capital Limited” or the “Issuer”) and will be unconditionally and irrevocably guaranteed by Petroliam Nasional Berhad (“PETRONAS”). PETRONAS Capital Limited is a wholly-owned subsidiary of PETRONAS. PETRONAS Capital Limited will provide the proceeds of the offering to PETRONAS or its subsidiaries and associated companies. The Notes will be unsecured obligations of PETRONAS Capital Limited. PETRONAS’ guarantee (the “Guarantee”) will be an unsecured obligation of PETRONAS and will be effectively subordinated to the secured obligations of PETRONAS and its subsidiaries.*

*Unless previously repurchased, cancelled or redeemed, the EUR 2009 Notes will mature on May 22, 2009, the USD 2012 Notes will mature on May 22, 2012, and the USD 2022 Notes will mature on May 22, 2022. The EUR 2009 Notes, the USD 2012 Notes and the USD 2022 Notes will be redeemed at 100% of their respective principal amounts on their respective maturity dates plus accrued and unpaid interest, if any. The EUR 2009 Notes will bear interest at the rate of 6.375% per year, payable annually in arrears on May 22 of each year. The USD 2012 Notes will bear interest at the rate of 7.000% per year, payable semi-annually in arrears on May 22 and November 22 of each year. The USD 2022 Notes will bear interest at the rate of 7.875% per year, payable semi-annually in arrears on May 22 and November 22 of each year. The first interest payment in respect of the EUR 2009 Notes, the USD 2012 Notes and the USD 2022 Notes will be made on May 22, 2003, November 22, 2002 and November 22, 2002, respectively. The Notes will not be redeemable in whole or in part prior to maturity except upon the occurrence of certain events related to Malaysian or Labuan tax law. See “Description of the Notes—Special Tax Redemption.”*

*Investing in the Notes involves risk. See “Investment Considerations” beginning on page 11.*

**EUR 2009 NOTES—PRICE 99.561% AND ACCRUED INTEREST, IF ANY**  
**USD 2012 NOTES—PRICE 99.837% AND ACCRUED INTEREST, IF ANY**  
**USD 2022 NOTES—PRICE 99.532% AND ACCRUED INTEREST, IF ANY**

*Application has been made to list the Notes on the Luxembourg Stock Exchange. PETRONAS Capital Limited cannot guarantee that the application to the Luxembourg Stock Exchange will be approved. The offering and settlement of the Notes is not conditional on obtaining the listing.*

*The Notes have not been registered under the United States Securities Act of 1933, as amended (the “Securities Act”), 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 that the Notes may be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and within the United States to qualified institutional buyers (as defined in Rule 144A under the Securities Act (“Rule 144A”)) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or to a limited number of institutional “accredited investors” (as defined in Regulation D under the Securities Act (“Regulation D”)) in accordance with any other applicable law. For a description of these and certain further restrictions on offers and sales of the Notes, and the distribution of this Listing Circular, see “Transfer Restrictions” and “Plan of Distribution.”*

*The closing of the offering of the Notes was completed on May 22, 2002 by delivery of the EUR 2009 Notes through the facilities of Euroclear Bank S.A./N.V., as operator for the Euroclear System (“Euroclear”), and Clearstream Banking, société anonyme (“Clearstream”), and the USD 2012 Notes and the USD 2022 Notes through the facilities of The Depository Trust Company, in each case against payment.*

## **MORGAN STANLEY**

*Global Coordinator*

*Joint Bookrunners  
U.S. Dollar Tranches*

**MORGAN STANLEY  
SALOMON SMITH BARNEY**

*June 26, 2002*

*Joint Bookrunners  
Euro Tranche*

**MORGAN STANLEY  
BARCLAYS CAPITAL  
HSBC**

<http://www.oblige.com>

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**You should rely only on the information contained in this Listing Circular. PETRONAS and PETRONAS Capital Limited have not authorized anyone to provide you with information that is different. This Listing Circular may only be used where it is legal to sell these securities. The information in this Listing Circular may only be accurate on the date of this Listing Circular.**

In connection with the issue and distribution of any of the Notes, Morgan Stanley & Co. International Limited or any agent of it may overallot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. There is no obligation on Morgan Stanley & Co. International Limited or any agent of it to do so. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

### NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

PETRONAS and PETRONAS Capital Limited are furnishing this Listing Circular solely for the purpose of listing the Notes on the Luxembourg Stock Exchange. Having made all reasonable inquiries, PETRONAS and PETRONAS Capital Limited confirm that this Listing Circular contains all information with respect to PETRONAS, PETRONAS Capital Limited and the Notes which is material in the context of the issue and the offering of the Notes, and that such information is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed herein are honestly held and that PETRONAS and PETRONAS Capital Limited are not aware of any facts the omission of which would make any such information or the expression of any such opinions and intentions materially misleading. The information set forth in "Annex B—Malaysia" includes information and data that PETRONAS obtained from publicly available sources. PETRONAS accepts responsibility for accurately reproducing such information, but accepts no further or other responsibility in respect of such information set forth in Annex B.

None of PETRONAS, PETRONAS Capital Limited or the managers has authorized anyone to give any information or to make any representation not contained in this Listing Circular in connection with the listing of the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by any of PETRONAS, PETRONAS Capital Limited or the managers or any of their respective affiliates. Neither the delivery of this Listing Circular nor any offer made on the basis hereof shall, under any circumstances, create any implication that the information herein is correct at any time subsequent to the date hereof.

The distribution of this Listing Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Listing Circular comes must inform themselves about and observe any such restrictions. In particular, there are restrictions on the distribution of this Listing Circular and the offer and sale of the Notes in the United States. This Listing Circular does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation.

The Luxembourg Stock Exchange takes no responsibility for the contents of this Listing Circular, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Listing Circular.

Each person purchasing securities from a manager acknowledges that:

- it has been afforded an opportunity to request from PETRONAS, and it has received, all additional information considered by it to be necessary to verify the accuracy of the information herein,
- it has not relied on any of the managers or any person affiliated with such managers in connection with its investigation of the accuracy of the information contained in this Listing Circular or its investment decision, and
- no person has been authorized to give any information or to make any representation concerning the securities other than those contained in this Listing Circular and, if given or made, such other information or representation should not be relied upon as having been authorized by PETRONAS, PETRONAS Capital Limited or the managers.

The Notes may not be sold or purchased in Malaysia in this offering. Furthermore, residents of Malaysia are disqualified from subscribing for or accepting any offer of the Notes. This Listing Circular may not be distributed in Malaysia directly or indirectly for the purpose of any sale of the Notes. A Malaysian resident means in relation to a natural person, a citizen or permanent resident of Malaysia and in relation to any other person, a person who has established a place of business and is operating in Malaysia and includes a person who is deemed to be resident pursuant to Section 43 of the Malaysian Exchange Control Act 1953.

All references in this Listing Circular to “PETRONAS” are, unless the context otherwise requires, to Petroliam Nasional Berhad and its subsidiaries. References to the “Issuer” are to PETRONAS Capital Limited.

## 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 substantial 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 and certain of the experts named herein 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 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 the Senior General Manager, Legal and Corporate Affairs Division of PETRONAS that there is doubt as to the enforceability in Malaysian courts, in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated upon the federal securities laws of the United States. In addition, judgments of foreign courts are not directly enforceable in Malaysia. Judgments obtained against PETRONAS or PETRONAS Capital Limited in a United States court in respect of any sum payable under the Notes would be recognized and enforced by the courts of Malaysia in an action brought to enforce such judgment without a re-examination of the issues in dispute only so long as the judgment:

- (a) is not inconsistent with public policy in Malaysia,
- (b) was not given or obtained by fraud or duress or in a manner contrary to natural justice,
- (c) is not directly or indirectly for the payment of taxes or other charges of a like nature or of a fine or other penalty,
- (d) was of a court of competent jurisdiction of such jurisdiction,
- (e) has not been wholly satisfied,
- (f) is final and conclusive between the parties, and
- (g) is for a fixed sum.

## AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with resales of the Notes, PETRONAS is required to furnish upon request of a holder of the Notes and a prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) if at the time of such request PETRONAS is neither a reporting company under Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

PETRONAS’ financial statements are audited and published annually. PETRONAS intends to issue its annual report for future fiscal years within 120 days of its fiscal year end and to issue unaudited summary information regarding its semi-annual fiscal period within 60 days of its fiscal semi-annual end. The financial statements of PETRONAS are prepared according to Malaysian generally accepted accounting principles (“Malaysian GAAP”), which differ in certain significant respects from generally accepted accounting principles in the United States (“U.S. GAAP”). For a discussion of the differences between Malaysian GAAP and U.S. GAAP, see “Summary of Significant Differences Between Malaysian GAAP and U.S. GAAP.” PETRONAS Capital Limited has not prepared separate financial statements because it is not required to do so under Malaysian law and PETRONAS’ management has determined that the financial statements would not be material to the offering and sale of the Notes. PETRONAS Capital Limited does not intend to publish financial statements in the future.

## EXCHANGE RATES

In this Listing Circular, references to "ringgit" or "RM" are to the currency of Malaysia, references to "dollar," "U.S. dollar," "\$" or "US\$" are to the currency of the United States of America, references to "euro" or "€" are to the currency of the European Union and references to "¥" are to the currency of Japan. Solely for the convenience of the reader, this Listing Circular contains translations of certain ringgit amounts into dollars at specified rates. Unless otherwise stated, all translations from ringgit to dollars contained in this Listing Circular have been made at a rate of RM3.80 to US\$1.00, a rate fixed by the Government of Malaysia in September 1998. See "Annex B—Malaysia—Exchange Control Policy."

The following table sets forth, for the periods and dates indicated, certain information concerning the buying rate in ringgit per dollar as provided by Malayan Banking Berhad (the "Buying Rate"). No representation is made that the ringgit or dollar amounts referred to herein could have been or could be converted into dollars or ringgit, as the case may be, at any particular rate or at all.

<u>Year Ended March 31,</u>	<u>Period End</u>	<u>Period Average<sup>(1)</sup></u> (ringgit per dollar)	<u>High</u>	<u>Low</u>
1998 .....	3.6400	3.6768	4.8800	2.4735
1999 <sup>(2)</sup> .....	3.8000	3.9480	4.3260	3.5700
2000 .....	3.8000	3.8000	3.8000	3.8000
2001 .....	3.8000	3.8000	3.8000	3.8000
2002 .....	3.8000	3.8000	3.8000	3.8000
For the period April 1, 2002 to May 15, 2002 .....	3.8000	3.8000	3.8000	3.8000

(1) The average of the Buying Rates on the last day of each month during each period.

(2) On September 2, 1998, the Government of Malaysia fixed the exchange rate at RM3.80 to US\$1.00.

## FORWARD LOOKING STATEMENTS AND ASSOCIATED RISKS

This Listing Circular contains words such as “believe,” “plan,” “expect” and “anticipate” and similar expressions that constitute “forward looking 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,
- future capital expenditures in general,
- generation of future receivables, and
- sales to customers.

Such statements are subject to certain risks and uncertainties, including:

- economic conditions in Malaysia and other countries in which PETRONAS transacts business,
- increases in regulatory burdens in Malaysia and such countries,
- 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 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,
- the risks of increased costs in related technologies and the uncertainty of such technologies producing expected results, and
- the ability of third parties to perform in accordance with contractual terms and specifications.

In addition, the expectations of the management of PETRONAS 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 (as defined in “Business—Exploration and Production”), 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.

Should one or more of these uncertainties or risks, among others, 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 or performance 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. In any event, these statements speak only as of their dates, and PETRONAS undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

## SUMMARY

*This summary highlights information contained elsewhere in this Listing Circular. You should read the entire Listing Circular carefully, including the sections regarding "Investment Considerations" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" (including "Recent Developments" on page 21).*

## PETRONAS

### Overview

Petroliam Nasional Berhad ("PETRONAS") is the national oil and gas company of Malaysia and is wholly owned by the Government of Malaysia. PETRONAS was incorporated in 1974 under the Malaysian Companies Act and derives its powers from the Petroleum Development Act, which vests in PETRONAS sole ownership and control of Malaysia's petroleum resources. At January 1, 2001, Malaysia had 4.5 billion barrels of oil reserves (including condensates) and 82.5 trillion standard cubic feet of natural gas reserves.

PETRONAS, together with its subsidiaries and associated companies, is a fully integrated oil and gas company engaged in a broad spectrum of upstream and downstream oil and gas operations and petrochemical operations. PETRONAS has in recent years pursued a strategy of globalization, expanding its overseas activities with the objective of ensuring an adequate supply of crude oil and natural gas to meet anticipated domestic demand and the medium to long-term needs of its downstream operations and developing new markets for its oil and gas businesses and its growing petrochemical operations. PETRONAS' vision is to become a "Leading Oil and Gas Multinational of Choice." At January 1, 2001, PETRONAS had equity interests in international oil and gas reserves of approximately 3.2 billion barrels of oil equivalent. For the year ended March 31, 2001, PETRONAS' international activities, which include production, refining and marketing, contributed 31.3% of its consolidated revenue.

For the fiscal year ended March 31, 2001, PETRONAS had consolidated revenue of RM73,351 million (US\$19,303 million), net profit of RM16,488 million (US\$4,338 million) and consolidated assets of RM139,040 million (US\$36,590 million), making PETRONAS one of the largest companies in Asia in terms of assets.

### Upstream Activities — Exploration and Production

PETRONAS' upstream activities include the exploration, development and production of crude oil and natural gas both in Malaysia and abroad.

*Domestic Operations.* PETRONAS manages all upstream activities within Malaysia and engages a number of international oil and gas companies to participate in exploration, development and production of oil and gas in Malaysia pursuant to production sharing contracts. During the exploration phase of these production sharing contracts, the contractors are required to spend a minimum amount of money to explore the areas covered by the contracts, including the acquisition of new seismic data and drilling a specified number of wells. If oil or gas is discovered and commercial production commences, the contractors are entitled to recover their costs out of production and PETRONAS retains a percentage of the total production as its entitlement.

Since 1974, PETRONAS has signed 72 production sharing contracts with 30 operators from 10 different countries, of which 41 were in operation as of March 31, 2002. The production sharing contractors include a number of multinational oil and gas companies, such as Shell, ExxonMobil, Nippon Oil, Murphy Oil, Amerada Hess and Santa Fe Energy Resources. PETRONAS' exploration and production subsidiary, PETRONAS Carigali, has participated in all production sharing contracts entered into after 1985 and has interests in all producing fields in Malaysia. PETRONAS Carigali's share of total oil and gas production in Malaysia is approximately 43% and 44%, respectively. PETRONAS Carigali increasingly undertakes exploration, development and production activities as an operator and, as of March 31, 2001, operated 27 fields which produce approximately 26% and 15% of Malaysia's total oil and gas production, respectively.

*International Operations.* To augment Malaysia's petroleum resources, PETRONAS is pursuing exploration, development and production activities outside Malaysia. PETRONAS, through wholly-owned subsidiaries, currently has a total of 27 production sharing contracts, two service contracts and six concession agreements in 21 countries in Asia, Africa and the Middle East. PETRONAS has interests in, among others, oil fields in Sudan that commenced production in April 1999, oil fields in Iran and Vietnam (Ruby field) that commenced production in 1998, the Yetagun Gas Project in Myanmar which commenced production in May 2000 (the gas from which is sold to the Petroleum Authority of Thailand) and exploration and development activities in a number of countries in Asia, the Middle East and Africa.

PETRONAS, through a subsidiary, is one of the production sharing contractors undertaking exploration and development in the offshore overlapping economic zone of Malaysia and Thailand in the lower Gulf of Thailand (the "Malaysia-Thailand Joint Development Area"). The Malaysia-Thailand Joint Authority, in which Malaysia and Thailand each owns 50%, administers the Malaysia-Thailand Joint Development Area. PETRONAS' portion of the gas reserves in the area is estimated to be approximately 4.3 trillion standard cubic feet. The first phase of offshore production capacity is expected to be ready for production by the third quarter of 2002. The construction of the pipeline to transport the gas will be implemented after approval of the project by the Thai government.

### **Downstream Activities**

PETRONAS' downstream activities include (i) the liquefaction, sale and transportation of LNG, (ii) the processing and transmission of natural gas and the sale of natural gas products, such as LPG and processed gas, (iii) the refining and marketing of petroleum products, including fuel oil, diesel, motor gasoline, jet fuel, kerosene and lubricants, (iv) the trading of crude oil, petroleum products and petrochemical products, (v) the manufacture and sale of petrochemical products and (vi) shipping and related logistics, including the transportation of LNG, crude oil and petroleum products.

*Gas Business.* PETRONAS believes that Malaysia's abundant offshore gas reserves provide an opportunity for it to play an important role in satisfying the growing energy and petrochemical demand of Malaysia and other Asian countries. PETRONAS' strategy is to add value to these natural gas reserves by promoting their use as feedstock for production of natural gas products and petrochemicals and export sale. To further this strategy, PETRONAS has undertaken the following large scale downstream projects:

- Two LNG plants with a total capacity of 15.9 million metric tons per annum have been developed in Bintulu, Sarawak, the first of which commenced operations in 1983 and the second in 1996. The two plants supply LNG to buyers in Japan, Korea and Taiwan pursuant to long-term supply contracts. A third LNG plant ("MLNG Tiga") is under construction and will consist of two trains, each with a capacity of approximately 3.4 million metric tons per annum. The first train is scheduled to commence operations in the first quarter of 2003 and the second train about nine months thereafter. MLNG Tiga has entered into three sales contracts with several Japanese companies. The total volume of LNG contracted in these contracts is equivalent to the capacity of MLNG Tiga's first train.
- PETRONAS, through its majority-owned subsidiary, PETRONAS Gas Berhad, which is listed on the Kuala Lumpur Stock Exchange and had a market capitalization of approximately US\$3.6 billion as of March 31, 2002, has completed the Peninsular Gas Utilization project involving six processing plants and 2,270 kilometers of trans-peninsular gas pipeline to process and transmit gas to end-users in the power, industrial and commercial sectors. The Peninsular Gas Utilization project has a total gas processing capacity of two billion standard cubic feet per day. PETRONAS Gas Berhad is currently revamping four of the processing plants to improve the recovery of ethane and allow greater tolerance for carbon dioxide content.

*Refining and Marketing Business.* PETRONAS has two refineries and a condensate splitter in Malaysia which have a total capacity of 303,500 barrels per day and produce a wide range of petroleum products, including low sulfur fuel oil, motor gasoline, jet fuel, naphtha, LPG, kerosene and diesel. The first refinery commenced operations in 1983 and has a capacity of 40,000 barrels per day. A condensate splitter with a capacity of 63,500 barrels per day commenced operations in 2000. The second refinery has two refining trains,

each with a capacity of 100,000 barrels per day. The first train is 100% owned by PETRONAS and the second train is jointly owned by PETRONAS (53%) and ConocoPhillips (47%).

PETRONAS Dagangan Berhad, a majority-owned subsidiary of PETRONAS, is engaged in domestic marketing and retailing activities. PETRONAS Dagangan Berhad is listed on the Kuala Lumpur Stock Exchange and had a market capitalization of approximately US\$745 million as of March 31, 2002. PETRONAS Dagangan Berhad had a 34% share of the Malaysian retail market as of January 1, 2002.

PETRONAS has significantly increased its overseas marketing and refining interests through its 80% interest in its subsidiary, Engen Limited (“Engen”), a leading South African marketing and refining company. Engen owns and operates a refinery in Durban, South Africa with a capacity of 105,000 barrels per day and has an estimated 26% share of the South African petroleum product market. PETRONAS believes that its interest in Engen furthers its globalization strategy by giving it a long-term refining and marketing presence in the growth markets of Africa and the Indian Ocean rim.

*Petrochemicals Business.* PETRONAS has expanded its petrochemical business by utilizing its abundant supplies of gas as petrochemical feedstock. PETRONAS, through joint ventures with multinational petrochemical companies, has developed two integrated petrochemical complexes (“IPCs”) at Kertih and Gebeng, along the eastern corridor of Peninsular Malaysia. The concept underlying the IPCs is to achieve a competitive edge through the integration of petrochemical projects using common or related feedstock and common facilities within a self-contained complex. The plants in the Kertih IPC manufacture ethylene-based petrochemicals while the plants in the Gebeng IPC manufacture propylene-based petrochemicals. Most of the plants in both of the IPCs have been completed and each is supported by PETRONAS’ centralized infrastructure facilities at each of the two complexes, including centralized utility facilities and chemical storage and distribution terminals.

*Maritime and Logistics Business.* PETRONAS owns 62.4% of Malaysia International Shipping Corporation Berhad (“MISC”), the largest shipping company in Malaysia. MISC owns and operates one of the world’s largest fleets of LNG tankers and is listed on the Kuala Lumpur Stock Exchange with a market capitalization of approximately US\$3.4 billion as of March 31, 2002. PETRONAS’ majority ownership of MISC provides it with a platform to integrate and rationalize logistics and shipping support for its operations in LNG, petrochemical products, crude oil and petroleum product exports. MISC’s fleet includes 13 LNG tankers, 52 bulk carriers, 17 petroleum tankers, 15 chemical tankers, and 27 container ships. All of the LNG tankers are currently on 20-year time charters to MLNG. Five of the LNG tankers are nearing the end of their charters. MISC has ordered six new LNG tankers for delivery between 2002 and 2005, which will be placed on long-term charters for MLNG Tiga. MISC recently chartered one of its LNG tankers to Gaz de France and entered into a joint venture agreement with Bakri Navigation Co. Ltd. of Saudi Arabia for maritime transportation and shipping services in the region. These agreements reflect the expansion of MISC’s activities and the decrease of its dependence on PETRONAS’ LNG operations.

## Competitive Strengths

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

- *Fully integrated, world scale, global oil and gas company.* PETRONAS is a fully integrated oil and gas company possessing a diversified revenue base which mitigates cash flow volatility given the cyclical nature of the industry. PETRONAS has achieved world scale in most of its operations, enabling it to realize economies of scale and cost advantages. PETRONAS currently operates in 30 countries worldwide with approximately 80% of its revenues derived from international operations and exports, which are primarily dollar denominated. PETRONAS has partnerships with leading multinationals, including Shell, ExxonMobil, ChevronTexaco, TotalFinaElf, ConocoPhillips, BASF and Dow Chemical, both in its domestic and international operations. In addition to diversifying the project risk, these partnerships also provide for the transfer of technical, marketing and distribution expertise between the partners as well as providing a source of new business opportunities.

- *World scale oil and gas reserves.* According to the *BP Statistical Review of World Energy 2001*, Malaysia's crude oil and natural gas reserves at December 31, 2000 ranked as the 26th and 12th largest in the world, respectively. Malaysia's reserves are principally developed under production sharing contracts in which exploration and development risks are borne by contractors.
- *Stable natural gas business.* PETRONAS is currently one of the largest producers of natural gas in Asia. After completion of its third LNG plant, PETRONAS will have the largest LNG production capacity in the world in a single complex. Substantially all of the LNG from this complex will be sold under long-term contracts to investment grade rated customers. PETRONAS' LNG operations are supported by MISC, which owns and operates one of the world's largest LNG tanker fleets, ensuring a reliable and secure supply of LNG to its customers and providing PETRONAS with a competitive advantage. PETRONAS and its multinational partners have substantially completed two world scale gas-based integrated petrochemical complexes to further enhance the value of Malaysia's natural gas reserves. PETRONAS' gas business is supported by gas processing plants and a trans-peninsular pipeline system which processes and transmits gas to PETRONAS' own facilities and other end-users in the power, industrial and commercial sectors.
- *Sound financial position.* PETRONAS observes conservative financial policies and maintains significant cash balances so as to be able to implement projects on a timely basis, quickly take advantage of business opportunities and facilitate partnerships with multinationals. PETRONAS maintains the highest corporate credit rating in Malaysia, as rated by Standard & Poor's (BBB) and Moody's Investors Service, Inc. (Baa1). PETRONAS has a strong balance sheet and had cash, fund and other investments of RM45,108 million (US\$11,870 million), compared to total debt of RM40,619 million (US\$10,689 million), as of March 31, 2001. PETRONAS generates substantial cash flow from its operations and has strong credit ratios. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Summary Consolidated Financial Data."

#### **PETRONAS Capital Limited**

PETRONAS Capital Limited is a wholly-owned subsidiary of PETRONAS and was incorporated under the laws of Labuan, Malaysia under the Offshore Companies Act 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 or its subsidiaries and associated companies.

### Summary Consolidated Financial Data

The summary consolidated financial data set forth below has been derived from PETRONAS' audited financial statements for each of the fiscal years in the five-year period ended March 31, 2001. The summary consolidated financial data should be read in conjunction with PETRONAS' audited financial statements and notes thereto as of March 31, 2000 and 2001 and for each of the years in the three-year period ended March 31, 2001 included elsewhere in this Listing Circular. PETRONAS' financial statements are prepared in accordance with Malaysian GAAP, which differ in certain significant respects from U.S. GAAP. See "Summary of Significant Differences between Malaysian GAAP and U.S. GAAP."

	Fiscal Year Ended March 31,					
	1997	1998	1999	2000	2001	2001 <sup>(1)</sup>
	(in millions)					
<b>Income Statement Data:</b>						
Revenue <sup>(2)</sup> .....	RM28,885	RM35,009	RM42,306	RM60,628	RM73,351	US\$19,303
Profit before taxation .....	12,394	15,823	11,844	21,611	29,029	7,639
Depreciation .....	1,926	2,107	2,557	3,559	4,247	1,118
Interest expense <sup>(3)</sup> .....	1,157	1,655	2,071	2,498	2,928	771
Net profit .....	7,280	9,945	6,808	12,604	16,488	4,338
At March 31,						
	1997	1998	1999	2000	2001	2001 <sup>(1)</sup>
	(in millions)					
<b>Balance Sheet Data:</b>						
Fund investments .....	RM5,166	RM4,686	RM4,882	RM5,166	RM5,045	US\$ 1,328
Other investments .....	491	553	2,756	7,488	9,176	2,414
Cash and cash equivalents ..	23,713	28,714	24,025	25,710	30,887	8,128
Property, plant, equipment and construction-in-progress .....	29,701	34,255	53,355	60,755	66,155	17,410
Total assets .....	68,158	81,690	99,498	121,571	139,040	36,590
Long-term debt <sup>(4)</sup> .....	19,416	27,086	32,809	39,729	34,865	9,175
Shareholders' equity <sup>(5)</sup> ....	27,316	34,013	36,871	40,259	53,934	14,193
Fiscal Year Ended March 31,						
	1997	1998	1999	2000	2001	2001 <sup>(1)</sup>
	(in millions, except ratios)					
<b>Other Financial Data:</b>						
Capital expenditure .....	RM3,089	RM5,781	RM11,296	RM11,712	RM11,634	US\$3,062
EBITDA <sup>(6)</sup> .....	RM15,477	RM19,585	RM16,472	RM27,668	RM36,204	US\$9,528
Ratio of EBITDA to fixed charges <sup>(7)</sup> .....	12.9x	11.6x	7.6x	10.6x	12.0x	—
Ratio of long-term debt to EBITDA .....	1.25x	1.38x	1.99x	1.44x	0.96x	—
Ratio of long-term debt to long-term debt plus shareholders' equity .....	0.42x	0.44x	0.47x	0.50x	0.39x	—
ROCE <sup>(8)</sup> .....	31.2%	32.4%	21.3%	32.2%	37.9%	—

*(footnotes on next page)*

- (1) Dollar translations are calculated using an exchange rate of RM3.80 to US\$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) Referred to as financing costs in the audited financial statements.
- (4) Consists of loans (including Islamic financing instruments). See Notes 17, 18 and 19 to the financial statements.
- (5) Shareholders’ equity consists of share capital and reserves.
- (6) EBITDA consists of profit before taxation, minority interests, pre-acquisition profits and extraordinary items, with the addition of amounts previously deducted for depreciation and interest expense. EBITDA should not be viewed as an alternative measure of operating results or cash flows from operating activities as determined in accordance with Malaysian GAAP or U.S. GAAP. 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.
- (7) Fixed charges consist of interest expense and interest capitalized during construction for the applicable period.
- (8) Return on capital employed is calculated as earnings before interest, taxes and dividends divided by average shareholders’ equity and long-term debt during the year.

### Summary Reserves And Production Data

The following table sets forth reserves as of January 1 for the years indicated and production data for the fiscal year ended March 31 of the years indicated.

	January 1,				
	1997	1998	1999	2000	2001
<b>Reserves<sup>(1)</sup>:</b>					
Malaysia's reserves:					
Oil (millions of barrels) <sup>(2)</sup> .....	4,953	4,978	4,652	4,495	4,492
Natural gas (billions of standard cubic feet)....	79,817	86,985	85,831	84,336	82,520
PETRONAS' equity interest in international oil and gas reserves (millions of barrels of oil equivalent) <sup>(3)</sup> .....	—	1,870	2,837	2,512	3,247
Fiscal Year Ended March 31,					
	1997	1998	1999	2000	2001
<b>Production:</b>					
Malaysia's production:					
Oil (millions of barrels) <sup>(2)</sup> .....	260	262	261	255	249
Natural gas (billions of standard cubic feet) <sup>(4)</sup>	1,234	1,361	1,371	1,438	1,608
PETRONAS' share of domestic production <sup>(5)</sup> :					
Oil (millions of barrels) <sup>(2)</sup> .....	187	195	187	192	193
Natural gas (billions of standard cubic feet) <sup>(4)</sup>	719	881	942	988	1,166
International oil and gas production (millions of barrels of oil equivalent) <sup>(3)</sup> .....	—	—	2.4	25.1	35.3

(1) PETRONAS' method of reporting reserves changed beginning in 1999. Accordingly, reserve figures prior to 2000 are not directly comparable to reserve figures for 2000 and 2001. See "Business — Exploration and Production — Oil and Gas Reserves."

(2) Includes condensates.

(3) Excludes Energy Africa Limited and Premier Oil plc.

(4) Net of flared gas.

(5) PETRONAS' share of domestic production includes the share of profit oil to which it is entitled, the cost and profit oil and gas of PETRONAS Carigali and the royalty oil and gas sold by PETRONAS for the federal and state governments of Malaysia.

## The Offering

Phrases used in the following summary that are not otherwise defined have the meanings given to them in "Description of the Notes."

Notes .....	€750,000,000 6.375% Guaranteed Notes due 2009. US\$1,300,000,000 7.000% Guaranteed Notes due 2012. US\$750,000,000 7.875% Guaranteed Notes due 2022.
Issuer .....	PETRONAS Capital Limited.
Guarantor.....	Petroliam Nasional Berhad.
Denomination .....	In the case of Notes offered and sold pursuant to Rule 144A and Regulation S, €100,000 and integral multiples of €1,000 thereof (in respect of the EUR 2009 Notes) and US\$100,000 and integral multiples of US\$1,000 in excess thereof (in respect of the USD 2012 Notes and the USD 2022 Notes).  In the case of Notes offered and sold to institutional accredited investors, €250,000 and integral multiples of €1,000 thereof (in respect of the EUR 2009 Notes) and US\$250,000 and integral multiples of US\$1,000 in excess thereof (in respect of the USD 2012 Notes and the USD 2022 Notes).
Ranking .....	The Notes will be the direct, unconditional, unsecured and unsubordinated general obligations of PETRONAS Capital Limited and will at all times rank <i>pari passu</i> among themselves, without any preference of one over the other by reason of priority of date of issue or otherwise, and at least equally with all other outstanding unsecured and unsubordinated general obligations of PETRONAS Capital Limited.
Ratings .....	It is expected that, on the date of issuance, the Notes will be rated "Baa1" by Moody's Investors Service, Inc. and "BBB" by Standard & Poor's.
Interest Rates .....	6.375% per annum in respect of the EUR 2009 Notes. 7.000% per annum in respect of the USD 2012 Notes. 7.875% per annum in respect of the USD 2022 Notes.
Interest Payment Dates .....	May 22 of each year, commencing on May 22, 2003 in respect of the EUR 2009 Notes.  May 22 and November 22 of each year, commencing on November 22, 2002 in respect of the USD 2012 Notes and the USD 2022 Notes.
Negative Pledge .....	PETRONAS (not including any of its subsidiaries) will covenant that, subject to certain exceptions and so long as any of the Notes remain outstanding, it will not create, incur or guarantee any Indebtedness (as defined below) secured by a lien, charge, mortgage, pledge or encumbrance without, in any such case, effectively securing the obligation of PETRONAS as guarantor under the Fiscal Agency Agreement, equally and ratably with or prior to such Indebtedness.

	“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.
Maturity Dates .....	Unless previously redeemed, repurchased or cancelled in the circumstances described herein, the EUR 2009 Notes shall mature on May 22, 2009. Each holder shall be entitled to a payment equal to 100% of the principal amount of such EUR 2009 Note.
	Unless previously redeemed, repurchased or cancelled in the circumstances described herein, the USD 2012 Notes shall mature on May 22, 2012. Each holder shall be entitled to a payment equal to 100% of the principal amount of such USD 2012 Note.
	Unless previously redeemed, repurchased or cancelled in the circumstances described herein, the USD 2022 Notes shall mature on May 22, 2022. Each holder shall be entitled to a payment equal to 100% of the principal amount of such USD 2022 Note.
Tax Redemption .....	PETRONAS Capital Limited may redeem the Notes, in whole but not in part, upon the occurrence of certain events related to Malaysian or Labuan tax law. See “Description of the Notes.”
Governing Law .....	New York.
Fiscal Agent .....	The Bank of New York.
Listing and Trading .....	Application has been made to list the Notes for trading on the Luxembourg Stock Exchange.
Use of Proceeds .....	PETRONAS Capital Limited intends to use the net proceeds from the sale of the Notes to finance a portion of the capital expenditures related to PETRONAS’ international oil and gas development activities and for general corporate purposes.
Investment Considerations .....	Investing in the Notes involves risks. You should carefully consider all information set forth in this Listing Circular. In particular, potential investors should carefully read the section entitled “Investment Considerations” before purchasing any of the Notes.
ERISA Considerations .....	Any prospective investor subject to ERISA and/or Section 4975 of the U.S. Internal Revenue Code should consult with its own counsel and other advisors regarding the consequences under ERISA and/or the Internal Revenue Code of an investment in the Notes.

### **The Guarantee**

The holders of the Notes will be entitled to the benefit of the Fiscal Agency Agreement and the Guarantee provided for therein. Pursuant to the Guarantee, PETRONAS will unconditionally and irrevocably guarantee the payment of the principal of, and interest on, the Notes and the due performance by PETRONAS Capital Limited of all its obligations under or in connection with the Notes. The Guarantee will rank at least equally in priority of payment and in all respects with all other outstanding unsecured and unsubordinated general obligations of PETRONAS.

## GLOSSARY OF OIL AND GAS INDUSTRY TERMS

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

“barrel” — 42 U.S. gallons.

“bpd” — barrels per day.

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

“bscf” — billion standard cubic feet.

“condensate” — liquid hydrocarbon composed primarily of pentanes (C<sub>5</sub>) and heavier molecules that are recovered from natural gas and/or oil fields.

“crude oil” — oil including condensate.

“gas” — natural gas.

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

“IPC” — integrated petrochemical complex.

“LNG” — liquefied natural gas.

“LPG” — liquefied petroleum gas.

“mmbbl” — million barrels of oil.

“mmboe” — million barrels of oil equivalent.

“mmBtu” — million British thermal units.

“mmscf” — million standard cubic feet per day.

“mmt” — million metric tons.

“mmtpa” — million metric tons per annum.

“natural gas” — non-associated gas that is 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.

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

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

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

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

“tpa” — metric tons per annum.

## INVESTMENT CONSIDERATIONS

*Investing in the Notes offered through this Listing Circular involves risk. You should carefully consider the risks set forth below as well as the other information contained in this Listing Circular before investing in the Notes.*

### **Oil and Gas Industry Risks**

The global oil and gas industries are highly competitive and volatile and 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 possibly nationalization of assets, expropriation and cancellation of rights. PETRONAS is subject to these risks as a result of its business activities.

### **Impact of Crude Oil and Natural Gas Prices**

PETRONAS' financial results are affected by international oil and natural gas prices, which have fluctuated widely over the last two decades. Many factors influence oil and natural gas prices, including global and regional supply and demand for crude oil, gas and related products, international economic conditions, inflation outlook, actions of commodity market participants, political events in major oil- and gas-producing and consuming nations and other factors over which PETRONAS has no control. As crude oil prices provide a benchmark for gas and petrochemical feedstock prices, changes in crude oil prices may also have an impact on gas and petrochemical prices. 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 price per barrel of Malaysian crude oil during fiscal year 2001 increased to US\$29.86 from US\$22.63 during fiscal year 2000 and US\$12.97 during fiscal year 1999. In fiscal year 2002, however, the weighted average price declined to US\$23.24.

### **Increasing International Activities**

PETRONAS derives a significant portion of its revenues from its business outside Malaysia. In fiscal year 2001, PETRONAS' international activities contributed 31.3% of its consolidated revenue. As a consequence of its globalization strategy and in order to augment its domestic reserves, PETRONAS expects to derive an increasing proportion of its revenue from operations outside Malaysia. As a result, PETRONAS' financial condition and results of operations are expected to be increasingly affected by international and local political, economic and operating conditions in or affecting countries where it operates. Investing in certain countries (including Iran, Libya, Myanmar and Sudan) could also 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 securities of that company or impair PETRONAS' ability to access the U.S. capital markets.

PETRONAS conducts country risk assessments and in-country risk management to ensure that it understands the legal and regulatory operating environment and the political and economic consequences of operating in a particular country, both when initially beginning to work in that country and on an ongoing basis.

### **Technical Factors and Reserve Estimates**

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 reserves 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 reserves. As is customary among international oil and gas companies, PETRONAS' reserves are estimated by PETRONAS and its PSC Contractors.

The reliability of reserve estimates depends on the quality and quantity of technical and economic data, the prevailing oil and gas prices applicable to PETRONAS' and its subsidiaries' production, the production performance of the fields, and consistency in governmental oil and gas policies.

### **Impact of Exchange Rate Fluctuations**

The exchange rate between the dollar and the ringgit has been fixed since 1998. If the Government of Malaysia changes the dollar to ringgit exchange rate in the future or discontinues the pegged regime currently in effect, it could have an impact on PETRONAS' balance sheet as a result of translation adjustments. PETRONAS does not expect, however, that such a change would affect the cash flow available to service its debt.

### **Competition**

As is the case with all international oil and gas companies, PETRONAS faces keen competition in its business activities, both domestically and internationally.

### **Environmental Regulation**

PETRONAS is subject to various environmental laws and regulations concerning land use, air emissions, discharges to waters, waste materials and abandonment of installations in connection with the design and operation of its upstream and downstream oil and gas facilities. Some risk of environmental costs and liabilities is inherent in PETRONAS' operations, as it is with all companies in the oil and gas and petrochemical industry, and there can be no assurance that material costs and liabilities will not be incurred in the future.

### **Relationship with the Government of Malaysia**

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 1965, including the approval of dividends and the appointment of directors. While 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 an adverse effect on PETRONAS, to date the relationship between PETRONAS and the Government of Malaysia has generally been commercially oriented.

### **Regulation**

PETRONAS is subject to various governmental regulations and policies wherever it operates. Changes in such regulations could materially affect PETRONAS' financial performance or operations.

### **Limited Liquidity of the Notes**

The Notes are new issues of securities with no established trading market. PETRONAS and PETRONAS Capital Limited have been advised by the managers that they currently intend to make markets for the Notes as permitted by applicable law. The managers are not obligated to do so, however, and any such market making may be discontinued at any time in their sole discretion. No assurance can be given as to the liquidity of, or the development of a trading market for, the Notes.

### **Structural Subordination of the Notes**

The claims of all existing and future third-party creditors of PETRONAS' subsidiaries (other than PETRONAS Capital Limited) 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). At March 31, 2001, PETRONAS had total consolidated debt of RM40,619 million (US\$10,689 million), of which RM13,681 million (US\$3,600 million) was third-party debt of PETRONAS' subsidiaries (excluding RM2,016 million (US\$531 million) in shareholder loans to such subsidiaries by PETRONAS' joint venture partners). The Fiscal Agency Agreement does not contain any restrictions on the ability of PETRONAS Capital Limited, PETRONAS or its subsidiaries to incur additional indebtedness.

## USE OF PROCEEDS

PETRONAS Capital Limited will use the net proceeds of the Notes, estimated to be approximately €744 million and US\$2,032 million (after deduction of underwriting discounts, but before deduction of expenses payable by PETRONAS Capital Limited), to finance a portion of the capital expenditures related to PETRONAS' international oil and gas development activities and for general corporate purposes.

## CAPITALIZATION

The following table sets forth the consolidated capitalization of PETRONAS at September 30, 2001 and as adjusted to give effect to the issuance by PETRONAS Capital Limited of the Notes offered hereby, as if such issuance had occurred as of September 30, 2001. This information is derived from the financial records of PETRONAS, but has not been audited.

	September 30, 2001 <sup>(1)</sup>						
	Actual	Adjusted					
	(in millions)						
<b>Short-term debt:</b>							
Current portion of long-term debt.....	<u>RM 6,145</u>	<u>US\$ 1,617</u>	<u>RM 6,145</u>	<u>US\$ 1,617</u>			
<b>Long-term debt:</b>							
Long-term debt <sup>(2)</sup> .....	RM34,462	US\$ 9,069	RM 34,462	US\$ 9,069			
EUR 2009 Notes <sup>(3)</sup> .....	—	—	2,603	685			
USD 2012 Notes.....	—	—	4,940	1,300			
USD 2022 Notes.....	—	—	2,850	750			
Total long-term debt.....	<u>34,462</u>	<u>9,069</u>	<u>44,855</u>	<u>11,804</u>			
<b>Shareholders' equity:</b>							
Share capital .....	100	26	100	26			
Reserves .....	<u>63,037</u>	<u>16,589</u>	<u>63,037</u>	<u>16,589</u>			
Total shareholders' equity .....	<u>63,137</u>	<u>16,615</u>	<u>63,137</u>	<u>16,615</u>			
Total capitalization .....	<u>RM97,599</u>	<u>US\$25,684</u>	<u>RM107,992</u>	<u>US\$28,419</u>			

(1) Except as disclosed herein, there have been no material changes in the consolidated capitalization of PETRONAS since September 30, 2001.

(2) Consists of loans (including Islamic financing instruments).

(3) Translated from euro to ringgit at a rate of RM3.47 to €1.00, the exchange rate prevailing on the last business day before September 30, 2001.

## SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data set forth below has been derived from PETRONAS' audited financial statements for each of the fiscal years in the five-year period ended March 31, 2001. The selected consolidated financial data should be read in conjunction with PETRONAS' audited financial statements and notes thereto as of March 31, 2000 and 2001 and for each of the years in the three-year period ended March 31, 2001 included elsewhere in this Listing Circular. PETRONAS' financial statements are prepared in accordance with Malaysian GAAP, which differs in certain significant respects from U.S. GAAP. For a discussion of these differences, see "Summary of Significant Differences between Malaysian GAAP and U.S. GAAP."

	Fiscal Year Ended March 31,					
	1997	1998	1999	2000	2001	2001 <sup>(1)</sup>
	(in millions)					
<b>Income Statement Data:</b>						
Revenue <sup>(2)</sup> .....	<u>RM28,885</u>	<u>RM35,009</u>	<u>RM42,306</u>	<u>RM60,628</u>	<u>RM73,351</u>	<u>US\$19,303</u>
Operating profit .....	13,508	15,849	13,946	24,143	31,794	8,367
Interest expense .....	(1,157)	(1,655)	(2,071)	(2,498)	(2,928)	(771)
Profit before exceptional item .....	12,351	14,194	11,875	21,645	28,866	7,596
Exceptional item <sup>(3)</sup> .....	—	1,398	—	—	—	—
Profit for the year .....	12,351	15,592	11,875	21,645	28,866	7,596
Share of (losses)/profits of associates .....	43	231	(31)	(34)	163	43
Profit before taxation .....	<u>12,394</u>	<u>15,823</u>	<u>11,844</u>	<u>21,611</u>	<u>29,029</u>	<u>7,639</u>
Tax expense .....	(4,294)	(4,784)	(3,563)	(6,981)	(10,297)	(2,710)
Profit after taxation but before minority interest .....	8,100	11,039	8,281	14,630	18,732	4,929
Minority interests' share of subsidiaries' profit .....	(820)	(1,094)	(1,139)	(2,026)	(2,244)	(591)
Pre-acquisition profit .....	—	—	(334)	—	—	—
Net profit .....	<u>RM 7,280</u>	<u>RM 9,945</u>	<u>RM 6,808</u>	<u>RM12,604</u>	<u>RM16,488</u>	<u>US\$ 4,338</u>

	At March 31,					
	1997	1998	1999	2000	2001	2001 <sup>(1)</sup>
	(in millions)					

**Balance Sheet Data:**

Current assets .....	RM34,775	RM40,362	RM39,903	RM 50,856	RM 59,919	US\$15,768
Property, plant, equipment and construction-in-progress .....	29,701	34,255	53,355	60,755	66,155	17,410
Other assets <sup>(4)</sup> .....	3,682	7,073	6,240	9,960	12,966	3,412
Total assets .....	<u>RM68,158</u>	<u>RM81,690</u>	<u>RM99,498</u>	<u>RM121,571</u>	<u>RM139,040</u>	<u>US\$36,590</u>
Current liabilities .....	RM16,263	RM20,228	RM24,025	RM 28,324	RM 35,508	US\$ 9,345
Long-term debt <sup>(5)</sup> .....	19,416	27,086	32,809	39,729	34,865	9,175
Other long-term liabilities and provisions .....	2,066	2,106	3,476	3,509	3,761	990
Unrealized loss on translation of long-term assets and liabilities <sup>(6)</sup> .....	—	(6,126)	(5,515)	—	—	—
Shareholders' equity:						
Share capital .....	100	100	100	100	100	26
Reserves .....	<u>27,216</u>	<u>33,913</u>	<u>36,771</u>	<u>40,159</u>	<u>53,834</u>	<u>14,167</u>
Total shareholders' equity ..	27,316	34,013	36,871	40,259	53,934	14,193
Minority interests .....	3,097	4,383	7,832	9,750	10,972	2,887
Total liabilities and shareholders' equity ..	<u>RM68,158</u>	<u>RM81,690</u>	<u>RM99,498</u>	<u>RM121,571</u>	<u>RM139,040</u>	<u>US\$36,590</u>

	Fiscal Year Ended March 31,					
	1997	1998	1999	2000	2001	2001 <sup>(1)</sup>

**Other Financial Data:**

Capital expenditure (in millions) ..	RM 3,089	RM 5,781	RM11,296	RM11,712	RM11,634	US\$3,062
EBITDA (in millions) <sup>(7)</sup> .....	RM15,477	RM19,585	RM16,472	RM27,668	RM36,204	US\$9,528
Ratio of EBITDA to fixed charges <sup>(8)</sup> .....	12.9x	11.6x	7.6x	10.6x	12.0x	—
Ratio of long-term debt to EBITDA .....	1.25x	1.38x	1.99x	1.44x	0.96x	—
Ratio of long-term debt to long-term debt plus shareholders' equity .....	0.42x	0.44x	0.47x	0.50x	0.39x	—
ROCE <sup>(9)</sup> .....	31.2%	32.4%	21.3%	32.2%	37.9%	—

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- (1) Dollar translations are calculated using an exchange rate of RM3.80 to US\$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) Exceptional item relates to pre-tax gain on the disposal of investment. For fiscal years after 1999, exceptional items are presented as part of operating profit.
- (4) Consists of expenditure carried forward, investment in associates, other investments, and long-term receivables.
- (5) Consists of loans (including Islamic financing instruments). See Notes 17, 18 and 19 to the financial statements.
- (6) Prior to the fiscal year ended March 31, 1999, all foreign currency translation gains and losses were recognized as incurred. Beginning in the fiscal year ended March 31, 1999, only foreign currency translation gains and losses on short-term assets and liabilities are recognized as incurred. Foreign currency translation gains and losses on long-term assets and liabilities are deferred and amortized evenly to results of operations over the estimated remaining lives of the associated assets and liabilities, except if it is reasonable to expect that recurring foreign currency translation gains and losses will arise in the future. Beginning in the fiscal year ended March 31, 2001, such unrealized loss on translation on long-term assets and liabilities is included as part of reserves.
- (7) EBITDA consists of profit before taxation, minority interests, pre-acquisition profits and extraordinary items, with the addition of amounts previously deducted for depreciation and interest expense. EBITDA should not be viewed as an alternative measure of operating results or cash flows from operating activities as determined in accordance with Malaysian GAAP or U.S. GAAP. 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.
- (8) Fixed charges consist of interest expense and interest capitalized during construction for the applicable period.
- (9) Return on capital employed is calculated as earnings before interest, taxes and dividends divided by average shareholders' equity and long-term debt during the year.

## 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 the financial statements and notes thereto included elsewhere in this Listing Circular. The financial statements have been prepared in accordance with Malaysian GAAP, which differ in certain significant respects from U.S. GAAP. See "Summary of Significant Differences between Malaysian GAAP and U.S. GAAP". Unless otherwise indicated, references in this section to years are to PETRONAS' fiscal year ending March 31 in such year. The unaudited interim financial information for the six months ended September 30, 2001 presented in this Listing Circular may not be indicative of PETRONAS' full-year results for fiscal year 2002.

### Overview

PETRONAS derives its revenue primarily from sales of crude oil and natural gas, sales of gas products (including LNG, LPG and processed gas), sales of refined petroleum products, sales of petrochemical products and charter hires of LNG tankers and other vessels. The main factors affecting revenue and costs are described below.

#### *Factors Affecting Revenue*

PETRONAS is a fully integrated oil and gas company possessing a diversified revenue base, which is affected by three primary factors: crude oil prices, sales volume and exchange rates.

#### *Commodity Prices*

The primary factors affecting PETRONAS' operating results are the international market prices for crude oil and natural gas, which are denominated in dollars. Higher prices generally have a positive effect on PETRONAS' operating profit, as PETRONAS' exploration and production business benefits from the increase in prices realized from production. Lower prices generally have a corresponding negative effect. See "Investment Considerations—Impact of Crude Oil and Natural Gas Prices."

*Crude Oil.* PETRONAS sells its crude oil generally pursuant to long-term volume contracts. PETRONAS benefited from an upward trend in the price of crude oil during fiscal years 2000 and 2001. 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 daily depending on a number of factors such as political instability in other oil-producing regions or changes in demand for petroleum products as a result of current events. The following table sets forth, for each of the five fiscal years indicated, the weighted average prices for Malaysian crude oil, the weighted average prices for West Texas Intermediate crude oil (a crude oil used as an industry pricing benchmark which is similar in quality to Malaysian crude oil) and the average prices for Brent crude oil (another industry pricing benchmark).

Crude Oil Data	Fiscal Year Ended March 31,				
	1997	1998	1999	2000	2001
Malaysian crude oil (weighted average price per barrel) .....	US\$22.84	US\$18.66	US\$12.97	US\$22.63	US\$29.86
West Texas Intermediate crude oil (weighted average price per barrel) ...	US\$22.92	US\$18.93	US\$13.71	US\$23.18	US\$30.32
Brent crude oil (average price per barrel)	US\$21.52	US\$17.60	US\$12.42	US\$22.08	US\$28.78

Source: Platts Assessment.

In fiscal year 2002, the weighted average price per barrel for Malaysian crude oil was US\$23.24.

Changes in the price of crude oil also affect the world market prices for petrochemical feedstocks, such as naphtha. As a result, the market prices of a number of petrochemical products may vary with crude oil prices.

The effect of changes in crude oil and natural gas 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.

*Natural Gas.* PETRONAS sells its natural gas and gas products (other than LPG) generally pursuant to long-term contracts. LNG is sold pursuant to long-term contracts and is priced in dollars. LPG is sold on a spot basis and under contract and its price varies with the world market price for petroleum products. PETRONAS sells processed gas principally to domestic power generators, such as Tenaga Nasional Berhad, and independent power producers in Malaysia, and sells the balance to PowerSenoko Ltd. of Singapore and industrial users such as PETRONAS' petrochemical plants, Gas Malaysia Sdn. Bhd., Shell MDS and Sarawak Electricity Company. The price of processed gas sold under long-term contracts is generally established in ringgit by reference to fuel oil prices in Singapore, except for sales to the Malaysian power sector. Since the Asian financial crisis in 1997, the Government of Malaysia has established maximum prices for sales of processed gas to the Malaysian power sector. PETRONAS expects that the continuation of this arrangement will be reviewed at the end of 2002.

The following table sets forth, for each of the periods indicated, the weighted average price for PETRONAS' LNG, LPG and processed gas.

<u>Natural Gas Data</u>	<u>At and for the Year Ended March 31,</u>				
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
LNG (weighted average price per metric ton) .....	US\$197.13	US\$187.42	US\$133.08	US\$207.95	US\$248.62
LPG (weighted average price per metric ton) .....	US\$253.79	US\$208.42	US\$146.38	US\$246.58	US\$312.42
Processed gas (weighted average price per mmBtu)					
Domestic sales price .....	RM 6.95	RM 6.42	RM 6.90	RM 6.60	RM 7.13
Sales to PowerSenoko .....	US\$ 2.96	US\$ 2.75	US\$ 2.61	US\$ 2.94	US\$ 4.37

*Petrochemicals.* Virtually all of the petrochemical products that PETRONAS produces are commodities; low production cost is therefore the key to the success of these operations. Highly competitive cost positions are achieved through economies of scale and high capacity utilization. By purchasing its required raw materials from other PETRONAS operations, the petrochemical operations benefit from efficiencies in logistics and savings in energy, transportation, purchasing and infrastructure costs.

#### *Production and Sales Volumes*

The following table sets forth for each of the last five fiscal years indicated PETRONAS' share of Malaysia's total production of crude oil and natural gas (including the share of PETRONAS Carigali) and PETRONAS' share of international production of crude oil and natural gas. The table also provides the portion of crude oil production that is exported and which is not used as feedstock by Malaysian refineries and information regarding the end use of PETRONAS' natural gas production.

<u>Crude Oil Data</u>	<u>Fiscal Year Ended March 31,</u>				
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Malaysia production:					
Total domestic production .....	260	262	261	255	249
PETRONAS' share of production (mmbbl) <sup>(1)</sup> .....	187	195	187	192	193
PETRONAS' export sales volume (mmbbl) .....	126	125	115	122	112
International production:					
PETRONAS' share of production (mmbbl) .....	—	—	2.4	24.0	33.3

	Fiscal Year Ended March 31,				
	1997	1998	1999	2000	2001
<b><u>Natural Gas Data<sup>(2)</sup></u></b>					
Malaysia production:					
Total domestic production .....	1,234	1,361	1,371	1,438	1,608
PETRONAS' share of gas production (bscf) <sup>(1)</sup> .....	719	881	942	988	1,166
Amount processed as LNG (bscf) .....	451	581	599	593	658
Amount processed at gas processing plants (bscf) .....	191	221	283	334	425
Amount sold as natural gas (bscf) .....	77	79	60	61	83
LNG export volume (mmt) .....	13.6	15.0	15.1	15.2	15.2
International production:					
PETRONAS' share of gas production (bscf) .....	—	—	—	6.6	12.0

(1) PETRONAS' share of domestic production includes the share of profit oil and gas to which it is entitled, PETRONAS Carigali's cost and profit oil and gas, and the royalty oil and gas sold by PETRONAS on behalf of the federal and state governments of Malaysia.

(2) Net of flared gas.

Production volumes of crude oil from Malaysia's domestic crude oil reserves are determined on an annual basis by PETRONAS. Crude oil production levels from Malaysia's oil reserves are approximately 680,000 bpd (including condensates). PETRONAS' share of production has been relatively constant over the past five years, and PETRONAS currently expects that it will remain relatively constant for at least the short term.

PETRONAS' gas production volumes are driven to a significantly greater extent by customer demand.

*Production Sharing Contracts.* PETRONAS' share of production includes the share of profit oil to which it is entitled under the terms of the production sharing contracts agreed with the PSC Contractors, including PETRONAS Carigali. PETRONAS' production also includes royalty oil and gas, which PETRONAS sells on behalf of the Government of Malaysia. PETRONAS' share of crude oil and natural gas production and its revenue is affected by the total amount of oil and gas produced and the amount of oil and gas retained by the PSC Contractors for cost recovery. Under the terms of the various production sharing contracts that PETRONAS has entered into, the PSC Contractors bear all costs. The PSC Contractors may recover their production costs in barrels of crude oil or gas equivalent in accordance with the terms of their respective production sharing contracts. A portion of PETRONAS' share of production is sold as crude oil and a portion is used as a feedstock for PETRONAS' refineries and sold as refined petroleum products. See "Business—Exploration and Production—Domestic Operations—Production Sharing Contracts."

In respect of its international operations, PETRONAS also recovers its exploration, development and production costs in accordance with the terms of the production sharing contracts or such other arrangements to which it is a party. See "Business—Exploration and Production—International Operations."

#### ***Factors Affecting Costs***

The principal component of PETRONAS' operating expenses is cost of sales, which includes transportation costs, purchases of crude oil, natural gas and petrochemical feedstocks from third parties for operational use and purchases of various petroleum products for sale in trading operations. PETRONAS is able to enhance the margins of its consolidated business by using some of its crude oil and natural gas production as feedstock for its refineries. Other operating expenses include manpower expenses and selling and distribution expenses.

*Cost Reduction Alliance.* In an effort to reduce the operating costs of upstream operations, PETRONAS and the PSC Contractors have used CORAL Malaysia—an upstream industry alliance among the PSC Contractors relating to cost reduction—to facilitate the sharing of upstream facilities and logistics,

the standardization of equipment specifications and the coordination of operations. Through the initiatives of CORAL Malaysia, these PSC Contractors seek to achieve economies of scale in the purchase of equipment, supplies and services and to improve infrastructure utilization. PETRONAS generates value from these initiatives both through helping achieve a substantial reduction in unit production and unit development costs through December 2000 when compared to the 1995 base year when the program was initially implemented, and by enabling PETRONAS to realize significant overall cost savings during the initial five-year implementation period.

CORAL Malaysia was initially targeted toward the production sharing contracts and was concentrated on cost reduction efforts. The second phase (the "CORAL Next Wave"), expected to last until 2005, will attempt to build on previous successes and to bring the service industry into the alliance. The goal of the CORAL Next Wave is to promote business opportunities in this five-year period by creating value through significantly reducing finding-to-production costs, increasing productivity and recovery of certain identified oil fields, and enabling early monetization of existing reserves.

#### ***Other Factors Affecting Results of Operations***

***Exchange Rate-Related Matters.*** A portion of PETRONAS' revenue and expenses are denominated in ringgit, including, for example, manpower costs in Malaysia, although most of its revenue and costs are denominated in dollars. The exchange rate between the dollar and the ringgit has been fixed since 1998. Accordingly, almost all of PETRONAS' revenue and expenses currently are effectively denominated in dollars. See "Investment Considerations—Impact of Exchange Rate Fluctuations."

#### **Recent Developments**

The following summary financial information for the six-month period ended September 30, 2001 is derived from PETRONAS' management accounts and is unaudited. Although the management accounts generally are prepared on the same basis as PETRONAS' annual financial statements, there are some differences as a result of which information from the management accounts may not be directly comparable to the annual financial statements. In the opinion of management, however, these differences are not material to the financial information discussed below.

As reported in its management accounts, PETRONAS' consolidated revenue for the six months ended September 30, 2001 was RM33,284 million, approximately 45% of its revenue for fiscal year 2001. The lower rate of revenue in this period was attributable primarily to lower crude oil prices and significant depreciation of the South African rand against the dollar. The weighted average price per barrel of Malaysian crude oil during the six months ended September 30, 2001 was US\$26.22, compared to a weighted average price of US\$29.86 during fiscal year 2001. Profit before taxation was RM13,025 million, approximately 45% of its profit before taxation for fiscal year 2001. The lower level of profit before tax in this period was primarily a result of the lower crude oil prices, as well as an increase in depreciation and amortization expense as a result of additional projects being completed during the year. Net profit was RM8,917 million, approximately 54% of net profit for fiscal year 2001.

At September 30, 2001, PETRONAS' total assets were RM146,785 million, an increase of 5.6% compared to RM139,040 million at March 31, 2001. The increase reflects both the completion of projects undertaken at the beginning of fiscal year 2001 as well as new projects under construction. Cash, fund and other short-term investments were RM45,854 million at September 30, 2001, a 3.4% increase from RM44,335 million at March 31, 2001. Approximately 75% of the cash, fund and other short-term investments at September 30, 2001 was denominated in ringgit, while the balance was denominated in dollars and other currencies.

PETRONAS' total debt amounted to RM40,607 million at September 30, 2001, compared to RM40,619 million at March 31, 2001. Approximately 79% of PETRONAS' outstanding debt at September 30, 2001 was denominated in dollars, with the remainder denominated in Japanese yen (10%), ringgit (9%) and South African rand (2%).

PETRONAS has not yet completed its financial statements for the fiscal year ended March 31, 2002. For the second six months of the fiscal year 2002, the weighted average price per barrel of Malaysian crude oil declined to US\$20.26, and as a result, PETRONAS currently expects its profitability for the second six months of the fiscal year 2002 to be down from the first six months of the year.

## Results of Operations

### Operating Revenue

The following table sets forth, for each of the periods indicated, the consolidated revenues of PETRONAS by business category and expresses each as a percentage of PETRONAS' consolidated revenue.

Source of Revenue	Fiscal Year Ended March 31,					
	1999 (in millions)	% of Consolidated Revenue	2000 (in millions)	% of Consolidated Revenue	2001 (in millions)	% of Consolidated Revenue
Exploration and production <sup>(1)</sup> . . . . .	RM7,066	16.7%	RM13,808	22.8%	RM15,756	21.5%
Gas business:						
LNG . . . . .	7,676	18.1	12,030	19.8	14,367	19.6
Processed gas . . . . .	2,959	7.0	3,502	5.8	4,368	5.9
Total gas business . . . . .	10,635	25.1	15,532	25.6	18,735	25.5
Refining and marketing . . . . .	17,141	40.5	22,049	36.4	29,235	39.9
Petrochemicals . . . . .	1,219	2.9	1,635	2.7	2,992	4.1
Logistics and maritime . . . . .	2,313	5.5	2,938	4.8	3,371	4.6
Other revenue <sup>(2)</sup> . . . . .	3,932	9.3	4,666	7.7	3,262	4.4
Consolidated revenue . . .	<u>RM42,306</u>	<u>100.0%</u>	<u>RM60,628</u>	<u>100.0%</u>	<u>RM73,351</u>	<u>100.0%</u>
Domestic revenue <sup>(3)</sup> . . . . .	RM11,391	26.9%	RM13,499	22.3%	RM14,904	20.3%
Export revenue <sup>(4)</sup> . . . . .	16,637	39.3	27,597	45.5	35,464	48.4
International revenue <sup>(5)</sup> . . . . .	14,278	33.8	19,532	32.2	22,983	31.3
Consolidated revenue . . .	<u>RM42,306</u>	<u>100.0%</u>	<u>RM60,628</u>	<u>100.0%</u>	<u>RM73,351</u>	<u>100.0%</u>

(1) Consisting of crude oil and natural gas sales.

(2) Primarily from fund investments.

(3) Domestic revenue is derived from sales of products sourced and sold in Malaysia.

(4) Export revenue is derived from exports from Malaysia.

(5) International revenue is derived from sales of products sourced and sold outside of Malaysia.

PETRONAS' consolidated revenue increased 21.0% to RM73,351 million in 2001 from RM60,628 million in 2000, which in turn was an increase of 43.3% from RM42,306 million in 1999. The increase in revenue in 2001 was attributable primarily to higher crude oil prices, higher refined petroleum product prices and higher prices of petrochemical products. The increase was also partially attributable to a 9% increase in sales volumes of refined petroleum products and a 41% increase in sales volumes of petrochemical products. These increases were partially offset by a 7% decrease in sales volumes of crude oil. The increase in revenue in 2000 was attributable primarily to significant increases in the prices for crude oil, petroleum products and LNG.

Exports constitute a major portion of revenue, amounting to RM35,464 million or 48.4% of consolidated revenue in 2001, compared to RM27,597 million or 45.5% of total revenue in 2000 and RM16,637 million or 39.3% of total revenue in 1999. The increase in export revenue in 2001 was attributable primarily to increases

in crude oil, petroleum product and LNG prices and a 31% increase in export sales volumes of refined petroleum products. These increases were partially offset by an 8% decline in crude oil export volumes.

PETRONAS' revenue also reflects a steady contribution from its expanding international business. Revenue from PETRONAS' international business increased 17.7% to RM22,983 million in 2001 from RM19,532 million in 2000, which in turn increased 36.8% from RM14,278 million in 1999. International revenue represented 31.3%, 32.2% and 33.8% of PETRONAS' consolidated revenue in 2001, 2000 and 1999, respectively. The increase in international business revenue in 2001 is attributable primarily to higher turnover from Engen, PETRONAS Trading Corporation Sdn. Bhd. ("PETCO") and PETRONAS' international operations as a result of higher crude oil prices and a 33% increase in international sales volumes of crude oil. This increase was partially offset by the approximately 19% depreciation of the South African rand against the dollar for 2001 compared to 2000 (and consequently against the ringgit) and a 1% decrease in international sales volumes of refined petroleum products. The increase in 2000 is attributable primarily to higher crude oil and petroleum product prices. This increase was partially offset by a 20% decrease in international crude oil sales volumes and a 7% decrease in international refined petroleum product sales volumes resulting from a significant decline in volumes of products sold by PETCO.

*Exploration and Production.* PETRONAS' exploration and production revenue is derived primarily from the export of a significant portion of its share of domestic crude oil production and also from sales of natural gas. Revenue is also derived from the production and sale of crude oil and natural gas outside of Malaysia.

PETRONAS' exploration and production revenue increased 14.1% to RM15,756 million in 2001 from RM13,808 million in 2000, which was an increase of 95.4% from RM7,066 million in 1999. The increase in exploration and production revenue in 2001 was attributable primarily to higher crude oil prices for both domestic and international crude oil, increased sales volumes resulting from the full-year impact of crude oil production in Sudan which commenced in 2000 and increased sales of Malaysian natural gas. These increases were partially offset by decreases in PETRONAS' crude oil production entitlement in Iran and a resulting decrease in sales volumes. The increase in exploration and production revenue in 2000 was attributable primarily to higher crude oil prices for both domestic and international crude oil; increased sales volumes resulting from the commencement of crude oil production in Sudan and Iran; the full-year impact of crude oil production in Vietnam, which commenced in late 1999; and higher natural gas prices.

*Gas Business.* PETRONAS' total gas and gas products revenue is derived primarily from the sale of processed gas and LNG.

LNG revenue increased by 19.4% to RM14,367 million in 2001 from RM12,030 million in 2000, which in turn was a 56.7% increase from RM7,676 million in 1999. The increases both in 2001 and 2000 were attributable primarily to higher LNG prices in each year, while sales volumes remained relatively constant. Almost all of PETRONAS' LNG is exported to Japan, Korea and Taiwan. See "Business—Gas Business—LNG Business."

Processed gas revenue increased 24.7% to RM4,368 million in 2001 from RM3,502 million in 2000, which was an increase of 18.4% from RM2,959 million in 1999. The increase in 2001 was attributable primarily to an 11% increase in processed gas sales volumes resulting in part from increased production of processed gas in Malaysia. The increase in gas revenue in 2000 was attributable primarily to a 21% increase in processed gas sales volumes.

*Refining and Marketing.* Revenue from refining and marketing petroleum products (which include LPG, fuel oil, diesel, motor gasoline, jet fuel, kerosene and lubricants) is affected by raw material prices, refinery throughput and the price of refined products.

Refining and marketing revenue increased 32.6% to RM29,235 million in 2001 from RM22,049 million in 2000, which in turn was a 28.6% increase from RM17,141 million in 1999. The increase in 2001 was attributable primarily to higher refined petroleum product prices, resulting in, among others, higher trading revenues for PETCO (with respect to both its export activities and its international activities) and higher trading revenues for PETRONAS Dagangan Berhad (with respect to its domestic Malaysian activities) and

Engen. These increases were partially offset by a 1% decline in refined petroleum product sales volumes from international operations. A significant amount of PETRONAS' refining and marketing revenue is derived from sales by Engen. Engen's revenue on a ringgit basis would have been higher had the South African rand not depreciated approximately 19% against the dollar in 2001 as compared to 2000. In 2001, revenue relating to refined petroleum products increased 27.4% from RM19,096 million in 2000 to RM24,323 million in 2001, while crude oil trading revenue increased RM1,151 million and LPG revenue increased RM808 million. The increase in 2000 revenue was attributable primarily to higher refined petroleum product prices, resulting in, among others, higher trading revenue for PETCO (with respect to both its export activities and its international activities) and Engen, and a 9% increase in domestic sales volumes. These increases were partially offset by a decline in sales volumes from international operations. In 2000, revenue relating to refined petroleum products increased 29.9% from RM14,699 million in 1999 to RM19,096 million in 2000, while LPG revenues increased RM746 million and crude oil trading revenue declined RM234 million. Excluding PETCO, which contributed significantly to revenue but very little to net profit as a result of lower margins, PETRONAS' refining and marketing revenue increased 17.3% to RM17,285 million in 2001 from RM14,730 million in 2000, which was a 13.5% increase from RM12,976 million in 1999.

*Petrochemicals.* Petrochemical revenue increased by 83.0% to RM2,992 million in 2001 from RM1,635 million in 2000, which in turn represented an increase of 34.1% from RM1,219 million in 1999. The increase in 2001 was attributable primarily to new plants coming on stream at the Kertih IPC, including vinyl chloride monomer, aromatics and ammonia plants, and increasing sales volume, in particular with respect to paraxylene, methanol and benzene, and also price increases with respect to certain petrochemical products such as urea and MTBE. The increase in 2000 was attributable primarily to price increases with respect to ethylene, polypropylene and MTBE, and increases in sales volumes of urea. See "Business—Petrochemical Business."

*Logistics and Maritime.* Logistics and maritime revenue increased by 14.7% to RM3,371 million in 2001 from RM2,938 million in 2000, which in turn represented an increase of 27.0% from RM2,313 million in 1999. The increase in 2001 was primarily due to the availability of additional tonnage through acquisitions and chartered vessels and a more efficient utilization of existing assets.

*Other Revenue.* Other revenue decreased by 30.1% to RM3,262 million in 2001 from RM4,666 million in 2000, which in turn represented an increase of 18.7% from RM3,932 million in 1999. The most significant source of PETRONAS' other revenue is income from its fund investments. Fund investment income for 2001, 2000 and 1999 as a percentage of other revenue was 65.8%, 50.6% and 63.7%, respectively. See Note 8 to the financial statements. The decrease in other revenue income in 2001 was due primarily to a significant reduction in sales of general merchandise by Malaysian International Trading Corporation Sdn. Bhd. ("MITCO") in 2001. The increase in 2000 was due to higher sales of general merchandise by MITCO.

### Costs and Expenses

The following table sets forth the expenses of PETRONAS for the major cost areas for each of the years indicated, together with tax expense, share of profits or loss of associates, minority interests' share of subsidiaries' profit, pre-acquisition profits and net profit.

Costs and expenses	Year Ended March 31,					% of Consolidated Revenue
	1999	% of Consolidated Revenue	2000	% of Consolidated Revenue	2001	
					(in millions)	
Operating expenses <sup>(1)</sup> .....	RM23,973	56.7%	RM29,912	49.3%	RM33,264	45.3%
Depreciation.....	2,557	6.0	3,559	5.9	4,247	5.8
Interest expense.....	2,071	4.9	2,498	4.1	2,928	4.0
Royalties .....	1,830	4.3	3,014	5.0	4,046	5.5
<b>Total costs and expenses</b>	<b>RM30,431</b>	<b>71.9%</b>	<b>RM38,983</b>	<b>64.3%</b>	<b>RM44,485</b>	<b>60.6%</b>
Share of loss/ (profit) of associates .....	RM 31	0.1%	RM 34	0.1%	RM (163)	(0.2)%
Tax expense <sup>(2)</sup> .....	3,563	8.4	6,981	11.5	10,297	14.0
Minority interests' share of subsidiaries' profit .....	1,139	2.7	2,026	3.3	2,244	3.1
Pre-acquisition profit.....	334	0.8	—	—	—	—
<b>Net profit .....</b>	<b>RM 6,808</b>	<b>16.1%</b>	<b>RM12,604</b>	<b>20.8%</b>	<b>RM16,488</b>	<b>22.5%</b>

(1) Operating expenses include cost of sales, selling and distribution expenses and general and administrative expenses.

(2) Consolidated income taxes.

*Operating Expenses.* Operating expenses increased 11.2% to RM33,264 million in 2001 from RM29,912 million in 2000, which was a 24.8% increase from RM23,973 million in 1999. The increase in operating expenses in 2001 is attributable principally to higher product prices paid by PETCO to third parties in its trading operations, and increases in prices for natural gas purchased by PETRONAS from PSC Contractors. The increase in operating expenses from 1999 to 2000 is primarily a result of higher crude oil prices resulting in the same effects that arose in 2001. Excluding PETCO'S cost of sales, PETRONAS' operating expenses decreased 11.1% to RM21,023 million in 2001 from RM23,661 million in 2000, which was a 15.4% increase from RM20,503 million in 1999. The decrease in operating expenses in 2001 compared to 2000 excluding PETCO was primarily due to higher manpower costs in 2000 as a result of one-time payments made in 2000 not being repeated in 2001. The increase in 2000 compared to 1999 excluding PETCO was primarily due to an increase in manpower expenses as a result of an increase in the number of PETRONAS' employees following the acquisition and consolidation of MISC and Engen. At March 31, 2001, PETRONAS and its subsidiaries employed a total of 23,441 people, compared to 23,430 at March 31, 2000 and 18,578 at March 31, 1999.

*Depreciation.* Depreciation expenses increased 19.3% to RM4,247 million in 2001 from RM3,559 million in 2000, which was an increase of 39.2% from RM2,557 million in 1999. The increase in 2001 is primarily due to the full-year impact of depreciation of PETRONAS' sixth gas processing plant and the centralized utility facility and the coming onstream of certain petrochemical plants, namely Aromatics Malaysia Sdn. Bhd., PETRONAS Ammonia Sdn. Bhd. and Vinyl Chloride (M) Sdn. Bhd. The increase in 2000 is primarily due to the completion of PETRONAS' fifth gas processing plant in December 1998 (during fiscal year 1999); the completion and coming onstream of the PETRONAS Fertilizer (Kedah) Sdn. Bhd.; and the acquisition of new vessels by MISC.

*Interest Expense.* Interest expense increased 17.2% in 2001 to RM2,928 million from RM2,498 million in 2000, which was an increase of 20.6% from RM2,071 million in 1999. The increase in 2001 was attributable primarily to the full-year interest payable on the US\$650 million of notes issued by PETRONAS in August 1999 (during the 2000 fiscal year) and new borrowings by some of PETRONAS' subsidiaries. Interest expense increase in 2000 was attributable primarily to the interest payable on the US\$650 million of notes issued in August 1999.

*Royalties.* Under the Petroleum Development Act 1974 and the related agreements between both PETRONAS and the Government of Malaysia and PETRONAS and state governments, crude oil and natural gas produced in Malaysia are subject to a combined 10% royalty payable to the federal and state governments. PETRONAS sells the royalty crude oil and gas and remits the sales proceeds as a royalty to the federal and state governments.

*Tax Expense.* Although PETRONAS is wholly owned by the Government of Malaysia, PETRONAS does not enjoy any special tax benefits and is subject to all taxes generally applicable to companies incorporated under the Malaysian Companies Act 1965. Under the Petroleum (Income Tax) Act 1967, PETRONAS and its wholly-owned subsidiary, PETRONAS Carigali, are currently subject to a statutory tax rate of 38% on taxable income from sales of crude oil and natural gas. Taxable income from PETRONAS' other activities, including sales of LNG, processed gas, refined petroleum products, petrochemicals and fund investment income, is currently subject to a statutory income tax rate of 28%.

Effective tax rate is determined by dividing tax expense by profit before taxation. PETRONAS' effective tax rate on an unconsolidated basis was 37.5% in 2001, 29.4% in 2000 and 29.1% in 1999. The higher effective tax rates in 2001 and 2000 are attributable primarily to the higher percentage of profit before taxation derived from crude oil and natural gas sales, which are taxed at a higher rate as described above.

*Minority Interests' Share of Subsidiaries' Profit.* This amount principally reflects the minority interests' share of profit from various subsidiaries, and was attributable primarily to interests in Malaysia LNG Sdn. Bhd., Malaysia LNG Dua Sdn. Bhd., MISC, PETRONAS Gas Berhad and PETRONAS Dagangan Berhad. The amount also reflects minority shareholders' proportionate share of profit or loss for subsidiaries of PETRONAS that are not wholly owned.

*Pre-Acquisition Profit.* The pre-acquisition profit recorded in 1999 was profit attributable to Engen and MISC for the periods prior to PETRONAS' 1999 consolidation of such entities.

*Net Profit.* Net profit increased by 30.8% to RM16,488 million in 2001 from RM12,604 million in 2000, which was an increase of 85.1% from RM6,808 million in 1999. The increase in both 2001 and 2000 was attributable primarily to higher crude oil prices.

## **Liquidity and Capital Resources; Capital Expenditures**

### ***Liquidity and Capital Resources***

PETRONAS financed its total funding requirements during the three years ended March 31, 2001, including capital expenditures, satisfaction of debt obligations, investments, taxes, other working capital requirements, dividends and other cash outlays, primarily with funds generated from operations. Net cash from operating activities was RM26,140 million in 2001, RM20,856 million in 2000 and RM12,689 million in 1999. Of PETRONAS' total funding requirements in these years, a significant percentage in each year—90.5% in 2001, 75.6% in 2000 and 90.0% in 1999—was satisfied by funds generated from operations. Total funding requirements (including capital expenditures) for 2001, 2000 and 1999 were RM43,073 million, RM36,371 million and RM29,398 million, respectively. PETRONAS met the balance of its funding requirements primarily through external borrowings.

At March 31, 2001, PETRONAS' cash and fund investments totalled approximately RM35,932 million, of which approximately RM22,053 million were bank deposits, primarily in ringgit in Malaysian first tier banks. Fund investments consist of funds invested in short-term listed securities. It does not include any long-term securities or unquoted short-term securities, which are likely to be less liquid. At March 31, 2000, total

cash and fund investments stood at RM30,876 million. The increase of RM5,056 million from 2000 to 2001 resulted primarily from increases in PETRONAS' net cash balance. At March 31, 2001, PETRONAS' other investments, consisting of long-term quoted and unquoted shares and unquoted short-term securities and shares, totalled approximately RM9,176 million, compared to RM7,488 million at March 31, 2000. See Notes 8, 9 and 10 to the financial statements for a more detailed breakdown of PETRONAS' cash, fund investments and other investments.

PETRONAS' total debt amounted to RM40,619 million, RM43,093 million and RM35,995 million at the fiscal year end of 2001, 2000 and 1999, respectively. At March 31, 2001, PETRONAS' total long-term debt represented 29.2% of its total assets. Approximately 76.6% of PETRONAS' total outstanding debt after the effect of swaps at March 31, 2001 was denominated in dollars, with the remainder denominated in Japanese yen (11.7%), ringgit (9.6%) and South African rand (2.1%). More than half of PETRONAS' borrowings will mature within five years.

In January 1999, PETRONAS issued ¥51 billion of Samurai bonds in two tranches of ¥34 billion and ¥17 billion with maturities of five years and ten years, respectively. Through various arrangements with international banks, PETRONAS has swapped a portion of its Japanese yen repayment obligations for dollar-denominated repayment obligations. In August 1999, PETRONAS issued US\$650 million of 8.875% notes with maturities of five years. In 2001, PETRONAS entered into term loan facilities with the Japan Bank for International Cooperation and other commercial lenders in an amount equal to US\$336 million to finance its share of commitment in the MLNG Tiga project.

The following table sets forth information with regard to PETRONAS' total debt maturities, by currency, as of March 31, 2001 for the end of each identified fiscal year (after the effect of swaps).

Total Debt	Expected Maturity Date at March 31,						
	2002	2003	2004	2005	2006	Thereafter	Total
	(RM millions)						
US\$ .....	4,350.1	3,787.9	5,900.3	4,464.2	2,711.9	9,896.1	31,110.5
Yen .....	314.8	1,017.6	1,040.4	306.0	0.0	2,080.8	4,759.6
Ringgit .....	824.8	543.6	416.3	1,310.7	612.9	182.5	3,890.8
Rand .....	256.9	23.6	246.6	0.0	323.2	0.0	850.3
Other .....	7.3	0.0	0.0	0.0	0.0	0.0	7.3
<b>Total .....</b>	<b>5,753.9</b>	<b>5,372.7</b>	<b>7,603.6</b>	<b>6,080.9</b>	<b>3,648.0</b>	<b>12,159.4</b>	<b>40,618.5</b>

At March 31, 2001, approximately 36% of PETRONAS' total debt was floating-rate obligations, with the remainder being fixed-rate obligations. For a discussion of the various interest rates applicable to each facility, see Note 17 (Murabahah Note Issuance Facilities), Note 18 (Term Loans) and Note 19 (Islamic Debt Facilities) to the financial statements.

#### ***Restrictions Relating to Funding***

PETRONAS' loan agreements and the agreements for its outstanding notes contain a number of covenants that could potentially impact its ability to draw down funds. These covenants are generally similar to covenants contained in loan agreements and debt securities of similarly situated issuers, and include a limitation that PETRONAS' total liabilities may not exceed PETRONAS' total assets at any given time, cross-default provisions, negative pledge provisions and limitations on certain sale and leaseback transactions. For a more detailed discussion of these covenants, see Note 18 (Term Loans) to the financial statements.

#### ***Dividends***

PETRONAS declared dividends of RM4,100 million in 2001, 2000 and 1999. The Board of Directors of PETRONAS recommends the level of dividends to its shareholders.

### ***Capital Expenditures***

The following table provides historical information regarding capital expenditures.

	<b>Year Ended March 31,</b>			<b>% Change</b>	
	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>1999/2000</b>	<b>2000/2001</b>
	<b>(in millions)</b>				
Capital Expenditures .....	RM11,296	RM11,712	RM11,634	3.7	(0.7)

PETRONAS' total capital expenditures have remained relatively constant over the last three years. These expenditures were financed through combinations of equity and loans.

PETRONAS has substantial additional capital commitments that have been approved. The following table sets forth PETRONAS' outstanding approved capital commitments, including both those that have been committed to contract and those that have not been committed to contract, at the end of each period indicated.

<b><u>Capital Commitments</u></b>	<b>At March 31,</b>		
	<b>1999</b>	<b>2000</b>	<b>2001</b>
	<b>(in millions)</b>		
Approved and committed to contract.....	RM13,096	RM16,697	RM14,307
Approved but not committed to contract.....	26,274	25,396	13,730
Total.....	<u>RM39,370</u>	<u>RM42,093</u>	<u>RM28,037</u>

PETRONAS' outstanding capital commitments that have been approved and committed to contract as of March 31, 2001 include oil and gas field developments by PETRONAS Carigali and its consolidated subsidiaries in Malaysia and several foreign countries including Chad and Sudan, construction of the MLNG Tiga plant and purchase of LNG tankers for MISC. See "Business—Exploration and Production," "—Gas Business," "—Petrochemical Business," "—Maritime and Logistics Business" and Note 31 (Commitments) to the financial statements.

PETRONAS' outstanding capital commitments that have been approved but not committed to contract as of March 31, 2001 include oil and gas field development projects by PETRONAS Carigali and its consolidated subsidiaries in Malaysia (including gas fields to supply MLNG Tiga), the Malaysia-Thailand Joint Development Area and several foreign countries including Chad, and capital expenditures requirements of PETRONAS Gas and ASEAN Bintulu Fertilizer Sdn. Bhd. Commitments in this category are subject to change as projects become committed to contract or are reviewed. See Note 31 (Commitments) to the financial statements.

PETRONAS currently anticipates total budgeted capital expenditures of approximately RM29 billion during 2003 and 2004, including commitments which have not yet been approved and may not be approved. Since capital commitments that have been approved but not committed to contract may be subject to change, and because PETRONAS may from time to time determine to undertake additional capital projects, actual capital expenditures in future years may be more or less than the amounts shown. PETRONAS expects to fund its future capital expenditures through funds generated from operations, drawdowns under existing term loans and additional external borrowings.

### ***New Accounting Standards***

In July 1999, the Malaysian Accounting Standards Board issued a new financial accounting standard which will become effective for PETRONAS for the fiscal year ending March 31, 2003. This will result in a change in an accounting policy and cause PETRONAS to restate its financial statements retrospectively. Under this standard, companies will be required to expense immediately any gain/loss on translation on long-term assets and liabilities denominated in currencies other than ringgit. In the past, PETRONAS has generally deferred any such gain/loss and amortized them over the remaining lives to which they relate.

Accordingly, PETRONAS will be required to recognize any such gain/loss immediately. If PETRONAS had been required to make this adjustment for the fiscal year ended March 31, 2001, its profit before taxation for that fiscal year would have decreased by approximately RM2.9 billion. See Note 1.16 (Foreign Currency Transactions) to the financial statements.

### ***Risk Management***

As an integrated oil and gas company, PETRONAS is exposed to various risks that are peculiar to its exploration, production, refining and manufacturing businesses, its trading businesses and its operating environment. PETRONAS' goal in risk management is to ensure that it understands, measures and monitors the various risks that arise in connection with its operations. Key risk areas covered by the risk management framework are credit risk, market risk, project risk, country risk, operational risk and health, safety and environmental risk. PETRONAS has established an integrated risk management system through which it endeavors to manage these risks. Policies and guidelines have been developed to identify, analyze, appraise and monitor the dynamic risks facing PETRONAS. 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.

PETRONAS has established a three-tier structure to serve as the focal point for leading and coordinating risk management efforts. At the executive level, there is a risk management committee which reports to the President and Chief Executive Officer. Members of the committee monitor existing and potential international investments in light of PETRONAS' strategic objectives, operating standards and risk profile. At the business level, there is a risk management unit, which coordinates risk management activities and provides a center of risk management expertise. Finally, most of the major operating units have separate risk management units operating at the business level to ensure that risks are constantly monitored and assessed.

*Credit Risk.* Credit risk includes risks relating to counterparties, the risk that a contractor will not perform on a contract (including PSC Contractors) and the risk of defaults on deposits. PETRONAS has established its PETRONAS Credit Risk Rating System ("PCRRS"), which enables potential counterparties to be evaluated on a standardized basis across the organization. Using PCRRS, every counterparty is given a rating from one to five based on whether it is a good risk or a high risk. In addition, PETRONAS is in the process of developing a "credit value at risk," or "CVaR," risk management tool to measure credit risk. CVaR uses statistical methodologies to estimate probable losses relating to particular transactions.

*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 result from changes in the commodity markets, as well as from changes in interest rates and in foreign exchange markets. PETRONAS uses "value at risk," or "VaR," as its main market risk management tool. 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 that VaR analysis is generally sufficient for its purposes in managing its market risk. PETRONAS hedges portions of its risks through its day-to-day trading activities by, among other methods, entering into commodity and price swaps, forward contracts and options with respect to its products and anticipated revenue. PETRONAS does not currently have in place a strategic hedging program. With respect to its foreign currency exposure, PETRONAS relies on the natural hedge generated by the fact that most of its revenue and expenses are currently denominated in dollars or ringgit, which is currently linked to the dollar. PETRONAS also enters into some hedging transactions with respect to interest rates on its outstanding borrowings and other debt.

*Project Risk.* With respect to each new project it enters into, PETRONAS conducts a Project Risk Assessment, or "PRA", which is designed to review the potential risks that may arise in connection with that transaction. The PRA will be reviewed prior to moving forward. In addition, PETRONAS conducts a Project Independent Review during the course of each project at critical points in the project timeline, which provides a check to ensure that the business purpose and viability of the project remain.

*Country Risk.* PETRONAS conducts country risk assessments and in-country risk management to ensure that it has an understanding of the legal and regulatory operating environment and the political and economic consequences of operating in a particular country, both when initially beginning to work in a particular country and on an ongoing basis.

*Operational Risk.* Operational risk is difficult to quantify and subject to different definitions. PETRONAS defines operating risk as the risk of unscheduled shutdowns of its operations. PETRONAS is in the process of identifying ways of improving operational risk management, particularly in the plant/pipeline environment. PETRONAS also has in place contingency plans for certain foreseeable emergencies.

*Health, Safety and Environmental Risk.* PETRONAS has put in place a health, safety and environmental risk management system to ensure compliance with laws and regulations, particularly with respect to environmental standards. In addition, there is a comprehensive reporting system to monitor any inability to meet required standards. PETRONAS monitors lost time, accidents and frequency of incidents in an effort to minimize down time.

## BUSINESS

### Overview

PETRONAS is the national oil and gas company of Malaysia and is wholly owned by the Government of Malaysia. PETRONAS was incorporated in 1974 under the Malaysian Companies Act 1965 and derives its powers from the Petroleum Development Act 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 Malaysia.” The Petroleum Development Act 1974 also vests in PETRONAS the right to process and refine petroleum, to manufacture petrochemical products and to market these items. All entities other than PETRONAS, including wholly and partially-owned subsidiaries of PETRONAS, are required to obtain a government license or permit for such activities.

PETRONAS, together with its subsidiaries and associated companies, is a fully integrated oil and gas company engaged in a broad spectrum of upstream and downstream oil and gas operations and petrochemical operations. PETRONAS has in recent years pursued a strategy of globalization, expanding its overseas activities with the objectives of ensuring an adequate supply of crude oil and natural gas to meet anticipated domestic demand and the medium to long-term needs of its downstream operations and developing new markets for its oil and gas businesses and its growing petrochemical operations. PETRONAS’ vision is to become a “Leading Oil and Gas Multinational of Choice.”

### Exploration and Production

#### *Oil and Gas Reserves*

*Domestic.* PETRONAS determines Malaysia’s crude oil and natural gas reserve estimates based on field reserve information provided by the PSC Contractors. The methods used to estimate these reserves are based on internationally recognized techniques recommended by the Society of Petroleum Engineers. PETRONAS’ reserve estimates as of January 1 of any year are generally made public in June or July of that year, and are normally not audited by an independent party unless required for a unitization agreement (whereby PSC Contractors agree to operate two or more fields as one unit), for the extension of a project or prior to a new natural gas project.

Prior to 1999, PETRONAS’ estimates of Malaysia’s crude oil and natural gas reserves included proved and probable reserves. “Proved reserves” refer to the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate have reasonable certainty of being recovered in future years from known reservoirs under existing economic and operating conditions (*i.e.*, prices and costs as of the date the estimate is made). “Probable reserves” refer to the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate have a fair to good probability of being recovered in future years from known reservoirs under existing economic and operating conditions.

In 1999, PETRONAS began switching to expected value methodology in order to calculate reserves. The “expected value” (*i.e.*, the estimated amount of reserves) is derived based on the probability of various outcomes in order to determine the best single point estimate of recoverable volumes. In addition to proved and probable reserves, the expected value calculations take into account possible reserves. “Possible reserves” refer to the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate have a low degree of certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

The reserve figures for years prior to 2000 presented in this Listing Circular were calculated using a combination of proved and probable reserves and expected value methodology. Reserve figures for 2000 and 2001 were calculated using the expected value methodology. Accordingly, reserve figures prior to 2000 are not directly comparable to reserve figures for 2000 and 2001.

Crude oil and natural gas exploration and production activities are subject to various uncertainties. See “Investment Considerations—Technical Factors and Reserve Estimates.”

*Oil.* At January 1, 2001, Malaysia had 4.5 billion barrels of oil reserves (including condensates). Of Malaysia's oil reserves, 64.5% were proved and 39.3% were developed as of January 1, 2001 (excluding condensates). According to the *BP Statistical Review of World Energy 2001*, Malaysia's crude oil reserves at December 31, 2000 ranked as the 26th largest in the world. PETRONAS estimates that, at the current production level of approximately 680,000 bpd (including condensates), Malaysia's current oil reserves would last for approximately 15 years. Malaysia expects to begin importing oil by 2008, when it is expected that domestic consumption will exceed production. PETRONAS continues to explore for oil and to acquire international reserves in an effort to augment Malaysia's oil reserves.

The following table sets forth Malaysia's oil reserves at January 1 for each of the years 1997 through 2001.

Oil Reserves <sup>(1)(2)</sup>	At January 1,				
	1997	1998	1999	2000	2001
Sabah .....	572	658	630	640	767
Sarawak .....	1,180	1,365	1,291	1,312	1,298
Peninsular Malaysia .....	<u>3,201</u>	<u>2,955</u>	<u>2,731</u>	<u>2,543</u>	<u>2,427</u>
Total .....	<u>4,953</u>	<u>4,978</u>	<u>4,652</u>	<u>4,495</u>	<u>4,492</u>

(1) PETRONAS' method of reporting reserves changed beginning in 1999. Accordingly, reserve figures prior to 2000 are not directly comparable to reserve figures for 2000 and 2001.

(2) Includes condensates.

*Natural Gas.* At January 1, 2001, Malaysia had 82.5 trillion standard cubic feet of natural gas reserves. These reserves are expected to have a production life of approximately 32 years based on planned production levels. The production level for fiscal year 2001 was 1,978 bscf. According to the *BP Statistical Review of World Energy 2001*, Malaysia's natural gas reserves at December 31, 2000 ranked as the 12th largest in the world.

The following table sets forth Malaysia's gas reserves at January 1 for each of the years 1997 through 2001.

Gas Reserves <sup>(1)</sup>	At January 1,				
	1997	1998	1999	2000	2001
<b>Non-Associated Gas<sup>(2)</sup>:</b>					
Sabah .....	4,782	4,936	6,598	6,605	6,732
Sarawak .....	32,546	40,560	39,903	38,908	37,444
Peninsular Malaysia .....	<u>29,347</u>	<u>27,653</u>	<u>25,851</u>	<u>25,621</u>	<u>25,236</u>
Total non-associated gas .....	<u>66,675</u>	<u>73,149</u>	<u>72,352</u>	<u>71,134</u>	<u>69,412</u>
<b>Associated Gas:</b>					
Sabah .....	1,180	1,189	1,105	1,134	1,307
Sarawak .....	3,026	3,721	3,794	3,514	3,419
Peninsular Malaysia .....	<u>8,936</u>	<u>8,926</u>	<u>8,580</u>	<u>8,554</u>	<u>8,382</u>
Total associated gas .....	<u>13,142</u>	<u>13,836</u>	<u>13,479</u>	<u>13,202</u>	<u>13,108</u>
Total .....	<u>79,817</u>	<u>86,985</u>	<u>85,831</u>	<u>84,336</u>	<u>82,520</u>

(1) PETRONAS' method of reporting reserves changed beginning in 1999. Accordingly, reserve figures prior to 2000 are not directly comparable to reserve figures for 2000 and 2001.

(2) Approximately 84% of Malaysia's natural gas reserves are non-associated. Certain non-associated gas fields have been dedicated to supply existing and future planned gas projects. The timing of the

development of these fields is dependent upon demand for gas and the development of related infrastructure and downstream facilities.

PETRONAS believes Malaysia's substantial natural gas reserves give it the opportunity to play an important role in satisfying the growing energy demands of Malaysia and other Asian countries. As a result, PETRONAS expects natural gas production to continue to play a significant role in PETRONAS' growth. For a further discussion of PETRONAS' plans to increase utilization and distribution of Malaysia's natural gas resources, see "—Gas Business."

The following table sets forth Malaysia's oil and gas reserves at January 1 for each of the years 1997 through 2001.

Oil and Gas Reserves <sup>(1)</sup>	At January 1,				
	1997	1998	1999	2000	2001
Oil (mmbbl) <sup>(2)</sup> .....	4,953	4,978	4,652	4,495	4,492
Gas (bscf) .....	79,817	86,985	85,831	84,336	82,520
Total oil and gas (mmboe) .....	18,256	19,476	18,957	18,551	18,245

(1) PETRONAS' method of reporting reserves changed beginning in 1999. Accordingly, reserve figures prior to 2000 are not directly comparable to reserve figures for 2000 and 2001.

(2) Includes condensates.

*International.* As a result of its overseas activities, PETRONAS has accumulated international reserves, based on its equity participation, of approximately 3.2 billion barrels of oil equivalent as of January 1, 2001, including its share of the reserves located in the Malaysia-Thailand Joint Development Area. Malaysia and Thailand each own 50% of the Malaysia-Thailand Joint Authority which administers the Malaysia-Thailand Joint Development Area. PETRONAS determines its international reserve estimates using the same methods that are used to estimate Malaysia's reserves based on the internationally recognized techniques recommended by the Society of Petroleum Engineers. Data for the reserve estimates are generally obtained from the operator of the production consortium or from the host country. See "—International Operations."

The following table sets forth PETRONAS' equity interest in its international oil and gas reserves at January 1 for each of the years 1998 through 2001.

PETRONAS' Equity Interest in International Reserves <sup>(1)(2)</sup>	At January 1,			
	1998	1999	2000	2001
Oil (mmbbl) <sup>(3)</sup> .....	728	814	960	1,324
Gas (bscf) .....	6,851	12,138	9,309 <sup>(4)</sup>	11,537
Total oil and gas (mmboe) .....	1,870	2,837	2,512	3,247

(1) PETRONAS' method of reporting reserves changed beginning in 1999. Accordingly, reserve figures prior to 2000 are not directly comparable to reserve figures for 2000 and 2001.

(2) Includes PETRONAS' interests under its service contracts in Iran based on the dollar equivalent value of the crude oil (for the Sirri fields) and condensates (for the South Pars fields) that PETRONAS is entitled to receive under those service contracts. PETRONAS estimates that it had an equity interest in reserves in Iran amounting to 101 mmboe at January 1998, 168 mmboe at January 1999, 105 mmboe at January 2000 and 101 mmboe at January 2001.

(3) Includes condensates.

(4) The decline of PETRONAS' equity interest in international gas reserves in 2000 was due to adjustments in the booking of reserves in Turkmenistan in 1999 and a well drilled in 2000 that was initially expected to contain gas but instead contained oil.

From 1998 to 2001, PETRONAS' equity interest in international oil reserves increased by 596 mmbbl net of production, compared to a decline of 486 mmbbl in PETRONAS' domestic oil reserves. From 1998 to

2001, PETRONAS' equity interest in international reserves increased by 1,378 mmboe, compared to a decline of 1,231 mmboe in PETRONAS' domestic reserves.

### ***Domestic Operations***

PETRONAS is actively engaged in exploration, development and production of oil and gas in Malaysia. Malaysia has 494,183 square kilometers of land and seabed available for oil and gas exploration, of which 180,678 square kilometers are currently covered by production sharing contracts.

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 sedimentary basins in Malaysia have been identified as petroleum bearing. The water depth of these areas is between 25 and 200 meters. Malaysia's existing oil and gas fields in the continental shelf are located mainly offshore of the states of Terengganu, Sabah and Sarawak. At January 2002, exploration activities in the continental shelf had resulted in discoveries of 148 oil fields and 220 gas fields. Malaysia's deeper offshore areas, with water depths of 200 meters or more, have been opened to oil and gas exploration and, to date, PETRONAS has awarded ten deepwater production sharing contracts.

***Production Sharing Contracts.*** PETRONAS carries out exploration, development and production activities in Malaysia through production sharing contracts with a number of international oil and gas companies and with its wholly-owned subsidiary, PETRONAS Carigali (the "PSC Contractors"). Through the production sharing contracts, PETRONAS is able to insulate itself from the capital costs and risk of failure associated with exploration activities, while maintaining a significant share in any discovery through its entitlements.

PETRONAS' production sharing contracts are similar to those that multinational oil and gas companies enter into with other host countries and partners. Each contract obligates the PSC Contractor to provide all the financing and bear all the risk of exploration, development and production activities in exchange for a share of the total production. As in most international production sharing contracts, the PSC Contractor is allowed to recover its costs ("cost" oil or gas) from total oil and gas produced from the area, after deduction of royalties, up to a maximum recovery limit specified in the production sharing contract. The remainder ("profit" oil or gas) is shared between the PSC Contractor and PETRONAS on a ratio basis depending on the volume of oil or gas produced.

PETRONAS further benefits from the production sharing contracts because it owns all exploration and production data and all the other assets acquired and used by the PSC Contractors in the performance of the production sharing contracts. Although PETRONAS owns these assets, the PSC Contractors have the right to use the assets for the duration of the production sharing contracts. The value of such assets is not reflected on the balance sheet of PETRONAS.

At March 31, 2002, there were 41 production sharing contracts in effect with 11 operators from 10 different countries. A production sharing contract may be awarded to a consortium of PSC Contractors, and one PSC Contractor may be party to several production sharing contracts.

The PSC Contractors exploring for oil and gas in Malaysian waters include ExxonMobil Exploration and Production Malaysia Inc. ("EMEPMI"), PETRONAS Carigali, Sarawak Shell Berhad, Sabah Shell Petroleum Company, Nippon Oil Exploration (Sarawak) Ltd., Murphy Oil Corporation, Amerada Hess Corporation, Talisman Malaysia Limited and YPF Malaysia Limited. Of these, EMEPMI, Sarawak Shell Berhad, Sabah Shell Petroleum Company, PETRONAS Carigali and Talisman Malaysia Limited are the main operators of PETRONAS' oil and gas producing fields.

PETRONAS signed its first group of production sharing contracts in 1976 with Esso Production Malaysia, Inc., Sarawak Shell Berhad and Sabah Shell Petroleum Company, and 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 of deeper 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 deep water areas, and incorporate several fiscal and non-fiscal incentives. Fiscal incentives include accelerated cost recovery and improved sharing ratios, while non-fiscal incentives include longer exploration, development and production periods.

Under the terms of all production sharing contracts signed after 1985, PETRONAS Carigali participates as a PSC Contractor with a minimum interest of 15%. In most of the production sharing contracts signed after 1985, PETRONAS Carigali’s interest is “carried” from the time of signing of the contract to 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 period, all exploration and other costs are borne by the other PSC Contractors. Upon expiration of the carried interest period, PETRONAS Carigali must determine whether to continue its participation in the production sharing contract or to opt out of the contract. If PETRONAS Carigali exercises its option to retain its interest in the contract after the carried interest period, PETRONAS Carigali bears the costs of future operations in proportion to its participating interest in the production sharing contract.

The production sharing contracts are for specified durations. Exploration and development periods are five years and four years, respectively, for shallow water blocks (water depths up to 200 meters) and seven years and six years, respectively, for deep water blocks (water depths of 200 meters or more). If no commercial discovery is made in a block by the end of the exploration period, a PSC Contractor must relinquish the block, which PETRONAS may then reward under a new production sharing contract. If a commercial discovery in a field is made, the development period for that field begins. During the development period, the PSC Contractor will generally drill wells at several strategic spots over the reservoir and install the facilities necessary to produce crude oil or gas. The production phase of the production sharing contracts lasts, with respect to each discovered field, for a period of 15 years for shallow water blocks and 25 years for deep water blocks, in each case from the date of first commercial production from such field. If a gas field is discovered, the production sharing contracts provide for an additional five year holding period between the exploration and development phases, and the production phase may be extended for an additional five years.

The following table summarizes the basic terms of PETRONAS’ production sharing contracts through 1997.

<u>Allocations</u>	1985 PSC (Shallow Water Blocks)	Deep Water Blocks 200 to 1,000 meters	Deep Water Blocks over 1,000 meters
Royalties (% of gross production) .....	10%	10%	10%
Cost oil (% of gross production) (maximum) .....	50%	70%	75%
Cost gas (% of production available for sale) (maximum) .....	60%	60%	60%
Profit oil and gas (range depending upon volume of production) <sup>(1)</sup> :			
Oil .....	50:50 to 70:30	30:70 to 50:50	14:86 to 50:50
Gas .....	50:50 to 70:30	40:60 to 60:40	40:60 to 60:40

(1) The ratio of x:y represents the proportionate share between PETRONAS and the PSC Contractor.

In 1997, PETRONAS introduced new fiscal terms under the production sharing contract for shallow water blocks based on the “revenue-over-cost” concept (the “Revenue-Over-Cost PSC”) to encourage additional investment in Malaysia’s upstream sector. The revenue-over-cost terms are only applicable in respect of production sharing contracts for shallow water blocks entered into after 1997. The Revenue-Over-Cost PSC allows the PSC Contractors to accelerate their cost recovery if they perform within certain cost targets. The underlying principle is to allow the 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 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) over the PSC Contractor's cumulative costs. At March 31, 2002, there were 15 Revenue-Over-Cost PSCs in effect with 11 oil and gas companies from nine different countries.

The following table summarizes the basic terms of the Revenue-Over-Cost PSCs for both oil and gas fields.

Revenue-Over-Cost Index <sup>(2)</sup>	Total Production Volume Below Threshold <sup>(1)</sup>			Total Production Volume Above Threshold <sup>(1)</sup>		
	Total Cost Tranche(%) <sup>(3)</sup>	PSC Contractor's Share of Total Cost Tranche(%) <sup>(4)</sup>	PSC Contractor's Share of Total Profit Tranche(%) <sup>(5)</sup>	Total Cost Tranche(%) <sup>(3)</sup>	PSC Contractor's Share of Total Cost Tranche(%) <sup>(4)</sup>	PSC Contractor's Share of Total Profit Tranche(%) <sup>(5)</sup>
		Total Cost Tranche(%) <sup>(3)</sup>	Total Profit Tranche(%) <sup>(5)</sup>		Total Cost Tranche(%) <sup>(3)</sup>	Total Profit Tranche(%) <sup>(5)</sup>
0.0 to 1.0 .....	70	—	80	70	—	40
>1.0 to 1.4 .....	60	80	70	60	40	30
>1.4 to 2.0 .....	50	70	60	50	40	30
>2.0 to 2.5 .....	30	60	50	30	40	30
>2.5 to 3.0 .....	30	50	40	30	40	30
> 3.0 .....	30	40	30	30	20	10

- (1) Threshold volume means (a) for oil, total production of the field or 30 million barrels, whichever is lower, and (b) for gas, total production of the field or 0.75 trillion standard cubic feet, whichever is lower.
- (2) All contracts are subject to deduction of royalties of 10% from gross revenues before calculation of sharing ratios.
- (3) The "Total Cost Tranche" is the cost ceiling as a percentage of total projected revenue for the next quarter to be recovered by the PSC Contractors.
- (4) The "PSC Contractor's Share of Total Cost Tranche" is the percentage that the PSC Contractor is entitled to retain of the amount of projected costs from the previous quarter that was not used.
- (5) The "PSC Contractor's Share of Total Profit Tranche" is the percentage of the profit allocated to the PSC Contractor (after deduction of royalties and costs).

#### *Exploration and Development*

*Oil.* The current focus of oil field development activity is on the Bekok-D, Lawang/Langat, Serudon, Irong Barat-B, West Patricia, Kinabalu Deep and Alab fields. Plans are also underway to develop other small oil fields in order to sustain current production levels.

*Natural Gas.* The current focus of natural gas development activity is the fields in the Central Luconia area offshore of the state of Sarawak, several of which are dedicated for the supply of gas to PETRONAS' majority-controlled LNG plants. See "—Gas Business—LNG Business." The focus of development activity in Peninsular Malaysia is Block PM6/12 and the Angsi gas field offshore Peninsular Malaysia. Phase I of the Angsi project has been successfully completed and production is currently scheduled to commence by June 2002.

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 fiscal years in the five-year period ended March 31, 2001.

	Fiscal Year Ended March 31,				
	1997	1998	1999	2000	2001
Seismic data acquisition (line km) <sup>(1)</sup> :					
2-D .....	16,643	11,936	12,675	14,807	15,371
3-D .....	116,806	32,536	56,018	78,396	84,000
Wells <sup>(2)</sup> :					
Exploration .....	1	5	11	4	19
Appraisal .....	8	6	10	6	4
Development .....	45	51	63	44	56
Exploration, development and production investment (in millions) .....	RM4,017	RM4,594	RM5,674	RM6,325	RM6,326

- (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 petroleum 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 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 for the purpose of extracting the oil or gas.

#### *Production*

*Oil.* At January 1, 2002, PETRONAS had 44 producing oil fields in Malaysia. These oil fields produce seven blends of crude: Tapis, Labuan, Miri Light, Bintulu, Bunga Kekwa, MASA and Dulang. All of these blends are of high quality and generally command a premium price over benchmark Brent crudes on the world market.

In fiscal year 2001, Malaysia's crude oil and condensates production was 249 mmbbl, a slight decrease from the production level of 255 mmbbl in fiscal year 2000. Target production levels are expected to be maintained at approximately 255 mmbbl per year through 2007. PETRONAS' average share of production in fiscal years 1998 to 2001 was approximately 75%. PETRONAS uses its share of crude oil production for export sales to customers, principally in the Asia-Pacific region, and for refining and sale of petroleum products. Of PETRONAS' share of production in fiscal year 2001, 111.3 mmbbl were exported and 68.7 mmbbl were processed at PETRONAS' refineries in Melaka and Kertih. The balance of PETRONAS' share of crude oil production is held as inventory.

The following table sets forth Malaysia's crude oil production and PETRONAS' share of such production for each of the fiscal years in the five-year period ended March 31, 2001.

Oil <sup>(1)</sup>	Fiscal Year Ended March 31,				
	1997	1998	1999	2000	2001
(in mmbbl, except percentages)					
Total production in Malaysia .....	260	262	261	255	249
PETRONAS' share of production <sup>(2)</sup> .....	187	195	187	192	193
PETRONAS' percentage share of production <sup>(2)</sup> .....	72%	74%	72%	75%	78%

- (1) Includes condensates.
- (2) PETRONAS' share of production includes the share of profit oil to which it is entitled, PETRONAS Carigali's cost and profit oil and the royalty oil sold by PETRONAS on behalf of the federal and state governments of Malaysia.

*Natural Gas.* At January 1, 2002, PETRONAS had 11 producing gas fields and 13 gas fields under development in Malaysia. In fiscal year 2001, Malaysia's natural gas production was approximately 1,608 bscf. Natural gas production in Malaysia is projected to increase as a result of the development of PETRONAS' LNG business and the increase in power sector demand.

In fiscal year 2001, 73% of the natural gas produced in Malaysia was sold, either as natural gas or natural gas products, in domestic and international markets. PETRONAS uses its share of gas production in its downstream activities for processing, liquefaction and sale in the domestic market and abroad. PETRONAS also purchases gas produced by the PSC Contractors for such uses. The remaining gas is flared.

The following table sets forth Malaysia's annual natural gas production available for sale (net of flared gas) and PETRONAS' share of such production for each of the fiscal years in the five-year period ended March 31, 2001.

Natural Gas <sup>(1)</sup>	Fiscal Year Ended March 31,				
	1997	1998	1999	2000	2001
	(in bscf, except percentages)				
Total production in Malaysia.....	1,234	1,361	1,371	1,438	1,608
PETRONAS' share of production <sup>(2)</sup> ....	719	881	942	988	1,166
PETRONAS' percentage share of production <sup>(2)</sup> .....	58%	65%	69%	69%	73%

(1) Net of flared gas.

(2) PETRONAS' share of production includes the share of profit gas to which it is entitled, PETRONAS Carigali's cost and profit gas and the royalty gas sold by PETRONAS on behalf of the federal and state governments of Malaysia.

### *International Operations*

PETRONAS is seeking to augment its reserves to ensure adequacy of supply of Malaysia's petroleum resources by pursuing exploration, development and production activities outside Malaysia. The principal vehicle through which PETRONAS conducts these activities is PETRONAS Carigali (Overseas) Sdn. Bhd. ("PETRONAS Carigali Overseas"), a wholly-owned subsidiary of PETRONAS Carigali established in 1990. Currently, PETRONAS, through wholly-owned subsidiaries, participates in 27 production sharing contracts, two service contracts and six concession agreements in 21 countries. PETRONAS currently operates in three core international regions, Asia, Africa and the Middle East, where PETRONAS believes that it enjoys significant competitive advantages.

In several contracts, PETRONAS Carigali Overseas is the sole production sharing contractor while in other contracts it is a member of a consortium of production sharing contractors. As in the case of PETRONAS' 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 depending on the volume of oil or gas produced. As a result of its increasing overseas activities, PETRONAS has accumulated international oil and gas reserves of approximately 3.2 billion barrels of oil equivalent as of January 1, 2001.

Revenue from PETRONAS' international operations come from its ventures in the four countries where production is currently taking place, Vietnam, Myanmar, Sudan and Iran. PETRONAS Carigali Overseas, through its subsidiaries, is the operator in the Vietnam field and a joint operator in the Sudan fields. The following table lists oil and gas fields outside Malaysia in which PETRONAS, through PETRONAS Carigali Overseas or other subsidiaries, has an interest, that are currently producing or are expected to commence production in the near future.

Country	Major Partners	Type of field	Actual or Expected Date of Commencement of Production	PETRONAS' Working Interest <sup>(1)</sup>
<i>Currently Producing:</i>				
Vietnam (Ruby) .....	PetroVietnam	Oil	October 1998	85%
Iran (Sirri A and E) .....	TotalFinaElf	Oil	November 1998 <sup>(2)</sup>	40%
Sudan (1 and 2) .....	CNPC	Oil	April 1999	30%
Myanmar (Yetagun) .....	Premier Oil	Gas	May 2000	30%
Iran (South Pars) .....	TotalFinaElf	Gas	December 2001 <sup>(3)</sup>	30%
<i>Under Development:</i>				
Sudan (Munga Field) .....	CNPC	Oil	3rd quarter of 2002	30%
Chad (Permit H Doba Basin) .....	ExxonMobil	Oil	4th quarter of 2003	35%
Malaysia-Thailand Joint Development Area (Block A-18) .....	Amerada Hess	Gas	3rd quarter of 2002 <sup>(4)</sup>	50%

(1) Reflects PETRONAS' percentage interest in the relevant production sharing arrangement or service contract.

(2) The Sirri A field commenced production in November 1998 and the Sirri E field commenced production in March 1999.

(3) To date, no revenues have been derived from this field.

(4) Delivery of gas from this field will depend on completion of a pipeline from this field.

#### *Exploration and Production in Asia*

*Malaysia-Thailand Joint Development Area.* The Malaysia-Thailand Joint Development Area is an overlapping economic zone in the lower Gulf of Thailand. Covering approximately 7,250 square kilometers and divided into three blocks. The area is administered by the Malaysia-Thailand Joint Authority, of which Malaysia and Thailand own 50% each. PETRONAS Carigali (JDA) Sdn. Bhd. ("PETRONAS Carigali JDA"), a wholly-owned subsidiary of PETRONAS Carigali, is one of the PSC Contractors undertaking exploration for the Malaysia-Thailand Joint Authority under two production sharing contracts signed in 1994. The contract for Block A-18 is held in equal shares by PETRONAS Carigali JDA and Triton Oil Company of Thailand, a subsidiary of Amerada Hess and Block C-19, is held in equal shares by PETRONAS Carigali JDA and PTTEP International Limited ("PTTEPI"). As of January 1, 2001, PETRONAS' share of the gas reserves, all of which are currently located in Blocks A-18 and B-17, was approximately 4.3 trillion standard cubic feet.

PETRONAS and the Petroleum Authority of Thailand ("PTT") have concluded a gas sales and purchase agreement for Block A-18, under which PETRONAS and PTT would purchase gas from the Malaysia-Thailand Joint Authority and its production sharing contractors. Gas purchases from Block A-18 are expected to amount to 390 mmscf/d. The gas from the offshore fields is expected to be brought onshore through a pipeline and processed by a gas separation plant near Songkhla, Thailand for use by end users in the power, industrial, commercial and residential sectors. The pipeline project, to be known as the Trans-Thailand-Malaysia Gas Pipeline System, and the gas separation plant will be jointly developed and operated by PETRONAS and PTT. The pipeline will be extended from Songkhla and connected to the main PGU pipeline at Changlun in Kedah, Malaysia. Construction of the pipeline has been delayed by the Thai government for further review.

*Indonesia.* In December 2000, PETRONAS Carigali Overseas entered into a farm-in agreement with Gulf Resources (Ketapang) Ltd. for the offshore Ketapang Block. PETRONAS Carigali Overseas, through a subsidiary, and Gulf Resources each holds a 50% interest in the block. Gulf Resources is the operator of the block. Activity in the block is currently in the exploration stage. A total of 2,609 square kilometers of three-

dimensional seismic processing is currently in progress and is expected to be completed by September 2002. The next drilling campaign will commence in 2003.

In March 2001, PETRONAS and Pertamina entered into a gas sales and purchase agreement pursuant to which Pertamina will deliver gas from the West Natuna Sea area to PETRONAS' Duyong Gas Field facilities starting in August 2002.

In December 2001, PETRONAS Carigali Overseas entered into a production sharing contract with Pertamina and Amerada Hess Limited to explore the Tanjung Aru Block in the Kutei Basin in the Makassar Strait, offshore Kalimantan. The Tanjung Aru Block covers approximately 4,160 square kilometers with water depths ranging from 150 to 1,700 meters. PETRONAS Carigali Overseas, through a subsidiary, and Amerada Hess each holds a 50% interest in the block. Amerada Hess is the operator of the block. Activity in the block is currently in the exploration stage. The first exploration well is expected to be drilled in July 2002.

In March 2002, PETRONAS Carigali Overseas entered into a farm-in agreement with Rims Energy Karapan Ltd. ("Rims") for the Karapan Block, offshore east Java. Each holds a 50% interest in the block. The block will be operated by an operating company owned in equal parts by PETRONAS Carigali Overseas and Rims. The project is currently waiting for approval from the Indonesian government.

*Vietnam.* PETRONAS embarked on its first international exploration and production project as an operator in 1991, under a production sharing contract between PETRONAS Carigali Overseas and the Vietnam National Oil and Gas Corp. ("PetroVietnam") for offshore Blocks 01 and 02. A subsidiary of PETRONAS Carigali Overseas and PetroVietnam currently hold interests of 85% and 15%, respectively. The subsidiary of PETRONAS Carigali Overseas is the operator of the blocks. Commercial production of oil in the Ruby Field, located within those blocks, commenced in October 1998 at an initial rate of 8,000 bpd. The current production rate is 21,000 bpd.

In April 2001, PETRONAS Carigali Overseas signed a sale and purchase agreement to acquire a 36.8% interest in the Cai Nuoc Development Area, offshore Vietnam. Lundin Oil AB and PetroVietnam Exploration and Production hold interests of 33.2% and 30%, respectively. Lundin Oil AB will act as the operator. The reserves in the Cai Nuoc area are located in the PM-3 Commercial Arrangement Area and production is scheduled to commence in the third quarter of 2003 at a rate of 250 mmscf/d of gas and 40,000 bpd of oil. The PM3 Commercial Arrangement Area is part of an area at the boundary of the northeast coast of Peninsular Malaysia and the southwest coast of Vietnam that is being jointly explored by PETRONAS and PetroVietnam Investment & Development Company.

In January 2002, PETRONAS Carigali Overseas, PetroVietnam Investment & Development Company and Pertamina formed Con Son Joint Operating Company ("Con Son") to explore the southern continental shelf of Vietnam. PETRONAS Carigali Overseas holds a 30% interest in the venture, with PetroVietnam Investment & Development Company and Pertamina holding 40% and 30%, respectively. Blocks 10 and 11.1 are in the Nam Con Son basin about 210 kilometers southeast of Vung Tau and cover approximately 7,915 square kilometers. Con Son is the operator of the blocks. Activity in the blocks is currently in the exploration stage.

*Myanmar.* In late 1997, a subsidiary of PETRONAS Carigali Overseas acquired part of Texaco Inc.'s interest in the Yetagun Gas Project, which consists of a production area within Blocks M-12, M-13 and M-14 located in the Gulf of Martaban offshore Myanmar, and an associated pipeline to deliver gas from the production area to Thailand. The Yetagun fields have current reserves of 3.2 trillion cubic feet of gas and 82.3 million barrels of condensates as of January 1, 2001. In early 1997, Myanmar Oil and Gas Enterprise ("MOGE") and the project consortium entered into a gas sales agreement with PTT for the sale of gas to PTT for a term of 30 years. The project came on stream in May 2000. Take-or-pay delivery to PTT began July 1, 2000 at an initial rate of 200 mmscf/d. At March 31, 2001, the production rate was 105 mmscf/d and 3,509 bpd of condensate.

Currently, the interests of the parties in the Yetagun fields and the gas pipeline are as follows: a subsidiary of PETRONAS (30%), Premier Petroleum Myanmar (27%), Nippon Oil (14%), PTTEPI (14%) and MOGE (15%). Premier Petroleum Myanmar is a wholly-owned subsidiary of Premier Oil plc ("Premier"). A

subsidiary of PETRONAS and Amerada Hess each hold 25% interests in Premier, with the remaining 50% publicly held.

*China.* In August 1996, PETRONAS Carigali Overseas entered into a contract with China National Offshore Oil Corporation (“CNOOC”) and Chevron Overseas Petroleum Limited (“Chevron”) to jointly undertake oil and gas exploration in offshore Liaodong Bay. PETRONAS Carigali Overseas and Chevron, as production sharing contractors, hold 40% and 60% participating interests, respectively, in the venture. In the event of a discovery, CNOOC has the right to acquire up to a 51% interest in the project. PETRONAS Carigali Overseas has also entered into a contract with CNOOC, Chevron and Texaco China with respect to an offshore block in Bohai Bay, in which PETRONAS Carigali Overseas holds a 34% interest. Activity in both blocks is in the exploration stage.

*Pakistan.* A subsidiary of PETRONAS Carigali Overseas has a 57% interest in each of two consortia undertaking oil and gas exploration in Mubarak Block (2769-4) and East Kadanwari Block (2669-2) covering an area of 2,612 square kilometers and 1,022 square kilometers, respectively, in Sindh Province. The other consortia partners are LASMO Oil Pakistan Limited with 38% interest in each of the blocks and Government Holdings of Pakistan with 5% interest in each of the blocks. In the event of a discovery in either block, Government Holdings of Pakistan has the right to acquire up to a 25% interest in that block. In addition, PETRONAS Carigali Overseas’ subsidiary also has a 75% interest in a consortium undertaking oil and gas exploration in Mehar Block (2767-1), covering an area of approximately 5,030 square kilometres. The remaining interests are held by Orient Petroleum Inc. (15%), Zaver Petroleum Corporation Ltd. (5%) and Government Holdings of Pakistan (5%). PETRONAS Carigali Overseas’ subsidiary is the operator for all three blocks. Activity in all three blocks is in the exploration stage.

*Turkmenistan.* In July 1996, a subsidiary of PETRONAS Carigali Overseas holds a 100% interest in a production sharing contract with the Government of Turkmenistan for Block 1 in the Caspian Sea. Three oil and gas field discoveries have been made in the block and further exploration and development are being undertaken. These fields have reserves of approximately 3.5 trillion standard cubic feet of gas, 89.7 mmbbl and 286 million barrels of condensate. A subsidiary of PETRONAS Carigali Overseas is the operator of the block. Activity in the block is currently in the exploration stage.

#### *Exploration and Production in Africa*

*Chad.* A subsidiary of PETRONAS Carigali Overseas has a 35% interest in a consortium with ExxonMobil and ChevronTexaco for an investment in upstream and downstream activities in the Republic of Chad. ExxonMobil and ChevronTexaco hold interests of 40% and 25%, respectively. The upstream activity involves exploration activities in Permit H, Doba Basin covering an area of approximately 10.2 million acres, in the south of Chad by the border of the Republic of Central Africa, to the Nigerian border. The downstream activity involves the construction of a 1,070 kilometer, 30-inch diameter oil pipeline from Kome, Chad to Port Kribi, Cameroon, three pumps stations and a pressure reducing station, offshore floating storage and an offloading terminal. Accelerated production is expected to commence in 2003. The project is expected to produce 225,000 bpd of crude oil over its 25-to-35 year life.

*Sudan.* In March 1997, a subsidiary of PETRONAS entered into an exploration and production sharing contract with the Government of Sudan for onshore Blocks 1, 2 and 4 located in the Muglad Basin covering a total area of 48,914 square kilometers. Several oil fields have been discovered to date with oil reserves of approximately 742.1 mmbbl. Pursuant to an agreement with the Government of Sudan, the consortium also owns and operates a 1,500 kilometer export pipeline from the oil fields to Port Sudan on the Red Sea coast. The current production rate is approximately 236,000 bpd, of which PETRONAS’ share is approximately 69,000 bpd. The Munga field (located in Block 1) is expected to commence production in July 2002 and has an estimated production capacity of 40,000 bpd. The interests in the consortium are as follows: PETRONAS Carigali Nile Limited (30%), China National Petroleum Corporation (40%), Talisman Greater Nile B.V. (25%) and SUDAPET (5%).

PETRONAS Carigali Overseas also owns a 28.5% interest in Block 5A, which is currently in the exploration stage. Its partners in Block 5A are IPC Sudan Ltd. (40.375%), OMV (Sudan) Exploration

GmbH (26.125%) and SUDAPET (5%). Block 5A covers an area of approximately 29,412 square kilometers. First oil is targeted by 2003 with initial production of 50,000 bpd. IPC Sudan Ltd. is the operator of the block. The block is currently in the exploration stage.

In May 2001, PETRONAS Carigali Overseas also entered into an exploration and production sharing agreement for Block 5B, which covers an area of 22,119 square kilometers and is adjacent to Block 5A. PETRONAS Carigali Overseas owns a 41% interest in the venture, with Lundin Muglad Ltd., OMV (Sudan) Exploration GmbH and SUDAPET holding interests of 24.5%, 24.5% and 10%, respectively. A subsidiary of PETRONAS Carigali Overseas will operate Block 5B until commencement of commercial production, at which time the subsidiary of PETRONAS Carigali Overseas and SUDAPET would jointly operate the block. Block 5B is currently in the exploration stage.

*South Africa.* Through its interest in Engen, PETRONAS indirectly owns 45% of Energy Africa Limited, which has production interests in the North Sea (United Kingdom), Congo, Gabon, Angola, Libya, Egypt, Namibia, Equatorial Guinea, Mozambique and South Africa. Production averaged 6.5 mmboe for the year ended March 31, 2001, with production from Africa and the United Kingdom contributing approximately 70% and 30%, respectively, of that amount. Energy Africa has exploration interests in seven countries in sub-Saharan Africa. At March 31, 2001, Energy Africa had reserves of 47.3 mmboe.

*Algeria.* PETRONAS Carigali Overseas has a 100% interest in an exploration and production contract with SONATRACH, Algeria's national oil company, for the onshore El-Hadjira Oued El-Maraa Permit. In the event of a discovery, SONATRACH has the right to acquire up to a 35% interest in the production sharing contract. Activity in the block is currently in the exploration stage and a third exploratory well is currently being drilled.

In January 2001, PETRONAS Carigali Overseas also entered into an exploration and production contract with SONATRACH and Gaz De France for the exploration and development of oil and gas in the Ahnet Block. During the exploration period, PETRONAS Carigali Overseas holds 64% while Gaz de France holds 36%. However, during the development and production period, SONATRACH will join the consortium with a 30% interest while PETRONAS Carigali Overseas will hold 45% and Gaz De France 25%. PETRONAS Carigali Overseas is the operator of the block. Activity in the block is currently in the exploration stage.

*Tunisia/Libya.* A consortium comprising PETRONAS Carigali Overseas and Nimir Petroleum Company of Saudi Arabia entered into an exploration and production sharing contract with Joint Oil Exploration and Petroleum Services Co., a company established by the national oil and gas corporations of Libya and Tunisia, for the exploration and development of the oil fields in the 7th November Block between Tunisia and Libya. PETRONAS Carigali Overseas has a 35% interest in the consortium, while Nimir Petroleum and Medex Petroleum Limited have 45% and 20% interests, respectively. Activity in the block is in the exploration stage.

*Morocco.* PETRONAS Carigali Overseas, through a participation agreement, acquired from Energy Africa Limited a 31.875% interest in the Tiznit Block. Energy Africa, Taurus Oil and ONAREP hold interests of 31.875%, 11.25% and 25%, respectively. Energy Africa is the operator. The contract covers an area of approximately 6,000 square kilometers. Phase 1 exploration requires that at least 1,000 square kilometers be explored. Drilling expected to begin by the end of 2002.

In April 2002, two reconnaissance contracts were signed between a subsidiary of PETRONAS Carigali Overseas and ONAREP to carry out field work and related geological and geophysical work in an onshore area in the Missour Basin and the offshore Rabat Sale Haute Mer Area.

*Egypt.* In April 2001, PETRONAS Carigali Overseas signed a farm-in agreement pursuant to which it acquired a 12% interest in a production sharing contract for the Nemed deepwater block. ExxonMobil and Shell hold participating interests of 25% and 63%, respectively. Activity in the block is in the exploration stage.

*Cameroon.* In November 2001, PETRONAS Carigali Overseas entered into a farm-out agreement with Phillips Petroleum for Block PH77. PETRONAS Carigali Overseas and Phillips Petroleum each hold a

50% interest. The Government of Cameroon approved the assignment of equity from Phillips Petroleum to PETRONAS Carigali Overseas in December 2001. The project is currently in the exploration stage.

*Angola.* PETRONAS Carigali Overseas has a 15% interest in a production sharing contract for Block 24 in Angola, which is in the exploration stage. ESSO Exploration and Production Angola (Block 24) Limited, Sonangol Pesquisa e Producao and UMC Angola Corporation hold interests of 50%, 20% and 15%, respectively.

*Gabon.* PETRONAS Carigali Overseas (25%), AGIP (50%) and Burlington Resources (25%) are parties to a production sharing contract for the Mpolo, Chaillu and Meboun blocks, which are located between 10 and 50 kilometers offshore Gabon. These blocks cover an area of 22,500 square kilometers with water depth ranging between 100 and 2,000 meters. Activity in the blocks is currently in the exploration stage.

In January 2002, PETRONAS Carigali Overseas signed two farm-out agreements with Amerada Hess Production Gabon for Moabi G4-198 and Nguma Permit G4-199, respectively. PETRONAS Carigali Overseas, Amerada Hess Production Gabon and MPDC Gabon Co., Ltd. hold interests of 30%, 35% and 35%, respectively, for each of the agreements. Amerada Hess Production Gabon is the operator of the permits. Activity in the block is currently in the exploration stage.

*Equatorial Guinea.* In February 2002, PETRONAS Carigali Overseas acquired a 60% interest in a production sharing contract for Corisco Bay Block N. Ocean Equatorial Guinea Corporation and Vanco Equatorial Guinea Ltd. hold interests of 30% and 10%, respectively. GEPetrol, the national oil company of Equatorial Guinea, will have a 15% carried interest. Corisco Bay Block N covers an area of 2,744 square kilometers in the southern part of the Rio Muni Basin with water depth of between 10 and 250 meters. Activity in the block is currently in the initial exploration stage.

*Niger.* In June 2001, PETRONAS Carigali Overseas entered into a farm-in agreement for Agadem Permit Block 1 under a concession arrangement. In December 2001, the government of Niger gave its approval of the assignment of 50% of the equity in the block from Esso Niger to PETRONAS Carigali Overseas, and subsequently assigned the equity to a subsidiary of PETRONAS Carigali Overseas. Activity in the block is currently in the exploration stage.

#### *Exploration and Production in the Middle East*

*Iran.* In July 1995, a wholly-owned subsidiary of TOTAL S.A. ("TOTAL") entered into a service contract with the National Iranian Oil Company ("NIOC") to develop the Sirri A and E offshore oil fields located in Iranian waters in the Persian Gulf. In July 1996, PETRONAS acquired from TOTAL a 30% interest in that service contract, together with an option to acquire up to a further 15%. In January 1999, PETRONAS exercised the option and acquired an additional 10% interest. TotalFinaElf (successor by merger to TOTAL) continues to hold the remaining 60% interest and, pursuant to the service contract and its joint operating agreement with PETRONAS, acts as the development operator of the project. TotalFinaElf's role as operator will be transferred to NIOC at a later date.

Under the buy-back arrangement set forth in the service contract, TOTAL and PETRONAS receive a share of the crude oil output from the Sirri A and Sirri E fields for a period of five years after the beginning of production to cover reimbursement of their development costs and payment of their remuneration fees. The volumes of crude oil payable to TOTAL and PETRONAS pursuant to the contract payment schedules are determined by the prevailing crude oil prices agreed by NIOC and in effect at the time of lifting. Production at the Sirri A and Sirri E fields began in November 1998 and March 1999, respectively.

In 1997, PETRONAS entered into a consortium with TOTAL and Rao Gazprom to develop Iran's South Pars 2 and 3 gas fields, part of the South Pars fields which are one of the world's largest undeveloped gas reserves. PETRONAS, TOTAL and Rao Gazprom hold 30%, 40% and 30% interests, respectively. Pursuant to its joint operating agreement with PETRONAS, TOTAL acts as the operator for the delineation work, the development and the simultaneous production start-up of two phases of two bscf of gas per day and the extraction of associated condensates. While TOTAL's role as operator of the fields will be transferred to

NIOC at a later date, the consortium members will remain involved in the project until their agreed investment return is achieved.

Under the buy-back arrangement set forth in the service contract, the consortium members are entitled to payment-in-kind in the form of condensates or crude oil for reimbursement of their development costs over a period of five-and-one-half years from the date of first production and payment of their remuneration fees over a period of seven years from the first date of production. The remuneration fees are calculated to give an agreed return on investment over a specified period. The volumes of condensates or crude oil payable to TOTAL, PETRONAS and Rao Gazprom pursuant to the contract payment schedules will be determined by the prevailing condensates or crude oil prices agreed by the NIOC and in effect at the time of lifting. The South Pars field commenced gas and condensates production in December 2001. Production capacity is expected to be two bscf per day when the processing trains are completed in July 2002. To date, no revenues have been derived from this field.

*Bahrain.* In November 2001, PETRONAS Carigali Overseas entered into exploration and production sharing agreements with the Ministry of Oil of the Kingdom of Bahrain for shallow water Blocks IV & VI, offshore Bahrain. The agreements were effective as of February 2002. A subsidiary of PETRONAS Carigali Overseas holds a 100% interest in each block during the term of the agreements and is the operator for both blocks. In the event of a discovery in either block, the Ministry of Oil of the Kingdom of Bahrain has the right to acquire up to a 7.5% interest in the block. Activity in the blocks is in the exploration stage.

*Yemen.* In March 2002, PETRONAS Carigali Overseas acquired a participation interest in a production sharing agreement with Canadian Nexen Yemen Ltd. ("Nexen") and Kerr-McGee Hazar Ltd. ("Kerr-McGee") with regard to Block 50 in the Hazar Agreement Area in Yemen. Each of the parties has a 31½% interest in the production sharing contract, with the remaining 5% held by The Yemen Company. Nexen is the operator of the block. The block is currently in the exploration stage.

In April 2002, PETRONAS Carigali Overseas entered a production sharing agreement with regard to Block 52 in the Sarr Area. PETRONAS Carigali Overseas holds a 65% interest in the block, with Ansan Wikfs and The Yemen Company holding interests of 25% and 10%, respectively. PETRONAS Carigali Overseas is the operator of the block. Exploration of the block will commence after the contract has been ratified by the government of Yemen.

## **Gas Business**

PETRONAS has embarked on various large-scale projects to add value to the nation's abundant gas resources. These projects include the LNG plants in Bintulu, Sarawak, the PGU Project in Peninsular Malaysia and several other gas-based projects. PETRONAS acquires natural gas for use in its gas projects by purchasing gas from PSC Contractors, including PETRONAS Carigali.

### **LNG Business**

The LNG business encompasses the liquefaction of natural gas and the sale of LNG. Malaysia is the third largest LNG exporting country in the world after Algeria and Indonesia.

#### *Existing Facilities*

PETRONAS has a majority interest in Malaysia LNG Sdn. Bhd. ("MLNG") and Malaysia LNG Dua Sdn. Bhd. ("MLNG Dua") plants in Bintulu, Sarawak, with a total capacity of 15.9 mmtpa of LNG. Natural gas for the plants is supplied from the Central Luconia gas fields offshore Sarawak.

The MLNG plant has a capacity of 8.1 mmtpa of LNG and is among the world's largest. The MLNG plant commenced operations in 1983 and is owned by MLNG, a joint venture company in which PETRONAS holds a 65% interest. The other participants in the joint venture are Shell Gas B.V. (15%), Mitsubishi Corporation (15%) and the Government of the State of Sarawak (5%). Under the terms of the joint venture agreement, PETRONAS will assume a 100% interest in MLNG upon the expiration of the agreement in 2003.

The MLNG Dua plant, adjacent to the MLNG plant, has three processing trains, each with a capacity of 2.6 mmtpa for a combined capacity of 7.8 mmtpa of LNG. The plant has been in full operation since March 1996 and is owned by MLNG Dua, a joint venture company in which PETRONAS holds a 60% interest. The other participants in the joint venture are Shell Gas B.V. (15%), Mitsubishi Corporation (15%) and the Government of the State of Sarawak (10%).

The MLNG and MLNG Dua plants operated at effective full capacity in fiscal years 2001 and 2002, with a combined export volume of approximately 15.2 mmtpa in each of such years. MLNG exports its production to Japan pursuant to 20-year contracts with Tokyo Electric Power Co. and Tokyo Gas Co. Ltd. (expiring March 2003) and Saibu Gas Co. Ltd. (expiring September 2013). In March 2002, MLNG signed a memorandum of agreement with Tokyo Electric Power Co. and Tokyo Gas Co. Ltd. to sign another LNG sale and purchase agreement for a term of 15 years with an option to extend for a further five years. The LNG sale and purchase agreement is expected to be finalized by the end of 2002. All of the production from MLNG Dua is sold and exported through MLNG to Japan, Korea and Taiwan pursuant to long-term supply contracts. The buyers include a consortium of Japanese companies including Tokyo Gas Co. Ltd., Toho Gas Co. Ltd., Osaka Gas Co. Ltd. and The Kansai Electric Power Co. Inc., as well as Tohoku Electric Power Company Ltd., Shizuoka Gas Co. Ltd. Gas Bureau, City Sendai, Korea Gas Corporation and Taiwan's Chinese Petroleum Corporation.

The following table summarizes LNG export sales of MLNG and MLNG Dua by destination and their share of the LNG market in the respective countries for calendar year 2001.

	<u>Destination(%)</u>	<u>LNG Market Share(%)</u>
Japan .....	74.3	20.5
South Korea .....	13.1	13.9
Taiwan .....	12.6	38.1

MLNG is carrying out a rejuvenation project to extend the life of the MLNG plant for another 20-year period. The MLNG and MLNG Dua plants are also carrying out a revamp project to enable both plants to sustain current production levels with different feedgas composition in the future. The total cost of the projects is estimated to be RM912 million (US\$240 million). The MLNG and MLNG Dua projects are scheduled for completion in 2005 and 2003, respectively. The projects are not expected to cause any material interruption to production.

#### *New Facility*

Following the discovery of new gas fields in Central Luconia, offshore Sarawak, PETRONAS formed another joint venture, Malaysia LNG Tiga Sdn. Bhd. ("MLNG Tiga"), to undertake the country's third LNG project. PETRONAS has a 60% interest, and its partners include Shell Gas B.V. (15%), Nippon Oil LNG (Netherlands) B.V. (10%), Sarawak State Government (10%) and Diamond Gas Netherlands B.V. (5%). The MLNG Tiga plant is currently being constructed on a plot of land adjacent to MLNG and MLNG Dua. The MLNG Tiga plant consists of two LNG liquefaction trains (each with a design capacity of 3.4 mmtpa) and is designed to permit an addition of a third train in the future. The first train is scheduled to commence operation in the first quarter of 2003 and the second train about nine months thereafter. The plant will be operated by MLNG, the operator of the existing MLNG and MLNG Dua plants. Once it begins operations, the MLNG Tiga plant will boost Malaysia's LNG production capacity to approximately 23 mmtpa and give PETRONAS the largest production capacity in the world at a single complex.

MLNG Tiga has entered into three long-term sales contracts with Tohoku Electric Power Company, Inc., with a consortium of Japanese gas companies comprising Tokyo Gas Co. Ltd., Toho Gas Co. Ltd. and Osaka Gas Co. Ltd., and with Japan Petroleum Exploration Co. Ltd. The total volume of LNG contracted in these contracts equals the capacity of MLNG Tiga's first train.

### ***Gas Processing and Transmission: PGU Project***

PETRONAS Gas Berhad (“PETRONAS Gas”), a majority-owned subsidiary of PETRONAS, manages PETRONAS’ natural gas transmission and gas processing businesses in Peninsular Malaysia. PETRONAS Gas was listed on the Kuala Lumpur Stock Exchange in September 1995. At March 31, 2002, PETRONAS held a 60.6% interest in PETRONAS Gas. At March 31, 2002, PETRONAS Gas had a market capitalization of approximately US\$3.6 billion.

The trans-peninsular pipeline and gas processing plant (“GPP”) system (“PGU”) enables PETRONAS Gas to process and transmit gas to end-users in the power, industrial and commercial sectors. Natural gas from the fields offshore Terengganu supplies the PGU project. The PGU project 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. For a discussion of PETRONAS’ petrochemical business, see “—Petrochemical Business.”

With the completion of PGU project, PETRONAS has a total gas processing capacity of two bscf per day and over 2,270 kilometers of gas pipelines in Malaysia.

PETRONAS Gas owns, operates and maintains the PGU processing, transmission and related facilities and, pursuant to an agreement with PETRONAS, provides dedicated throughput service for processing of PETRONAS’ gas and transmitting it to PETRONAS’ customers. The throughput fees payable under this agreement consist principally of a fixed monthly “reservation charge,” which is payable regardless of the volume of natural gas delivered to PETRONAS Gas, and a “flowrate charge,” which is based on the volume of natural gas processed and transmitted by PETRONAS Gas.

The PGU pipelines transported an average of 1,226 mmscf/d, 1,461 mmscf/d and 1,676 mmscf/d of dry gas in fiscal years 1999, 2000 and 2001, respectively. The power sector was the largest consumer of gas transmitted through the PGU pipelines, accounting for 73.5%, 72.1% and, 71.8% of the total dry gas delivered in fiscal years 1999, 2000 and 2001, respectively. Power sector consumers include power generators such as Tenaga Nasional Berhad and Malaysia’s eight independent power producers (YTL, Pahlawan, Powertek, PD Power, Segari, Genting Sanyen, GB3 and Panglima Power), and the balance is sold to PowerSenoko Ltd. of Singapore and industrial users such as PETRONAS’ petrochemical plants. Contracts for the sale of processed dry gas are entered into between PETRONAS and the respective end-users and are generally long term, ranging from 15 to 22.5 years.

The PGU project has also facilitated the use of processed gas by smaller industries and residential end-users. In line with the phased implementation of the PGU project, Gas Malaysia Sdn. Bhd. was established in 1992 to distribute gas from the PGU pipeline to individual industrial, commercial and residential locations in Peninsular Malaysia. PETRONAS holds a 20% interest in Gas Malaysia. Malaysia Mining Corporation Shahpadu and Mitsui Tokyo hold interests of 55% and 25%, respectively.

### ***Overseas Pipelines***

*Australia.* PETRONAS has a 10% equity shareholding in the Australian Pipeline Trust, which owns and operates approximately 7,000 kilometers of gas transmission pipelines throughout Australia. Australia Gas Light Company holds 30%, and 60% is publicly held. The Australian Pipeline Trust is listed on the Australian Stock Exchange.

*Papua New Guinea-Queensland.* In May 1998, Chevron Asiatic Limited, the lead participant in a consortium of Papua New Guinea gas producers, awarded PETRONAS and its partner Australian Gas Light Company the right to build, own and operate the proposed 2,100 kilometer Australian portion of the Papua New Guinea-Queensland natural gas pipeline project. PETRONAS and Australia Gas Light each have a 50% interest of the entity that owns the Australian portion of the pipeline. Construction has not yet commenced and the project is under review.

*Argentina.* PETRONAS has an 18.3% interest in Gasinvest S.A., which through a 70% interest in Transportadora de Gas del Norte owns and operates 4,406 kilometers of gas transmission facilities in northern Argentina.

#### **Other Gas Business**

To promote the use of gas, PETRONAS has implemented co-generation projects involving the supply of chilled water for air-conditioning, and the distribution of electricity, steam, water and other utilities, using natural gas as the main fuel for the generation plants. Three such projects that have been completed are the Kuala Lumpur City Centre (completed in 1996), Kuala Lumpur International Airport (completed in 1997) and Putrajaya (completed in 1998). Other projects currently being undertaken include a second Putrajaya plant, a plant at Universiti Teknologi PETRONAS and the expansion of electricity generation capacity at the Kuala Lumpur City Centre plant.

#### **Refining and Marketing**

PETRONAS exports crude oil and LPG, refines crude oil and sells petroleum products. PETRONAS' focus is on increasing value-added refining and manufacturing activities. PETRONAS sells motor gasoline, diesel, lubricants, aviation and bunker fuels, LPG and kerosene through an expanding marketing and retailing network in Malaysia and overseas.

#### **Domestic Operations**

Malaysia has five refineries with a total installed rated crude refining capacity of 528,000 bpd. PETRONAS, through its subsidiaries, owns and operates two of those refineries, one in Melaka (the "Melaka Refinery Complex") and the other in Kertih (the "Kertih Refinery"). The Melaka Refinery Complex and the Kertih Refinery account for a total refining capacity of 240,000 bpd and condensate splitting capacity of 63,500 bpd. Shell owns two refineries which account for a refining capacity of 200,000 bpd while Esso Malaysia Berhad owns a refinery with a capacity of 88,000 bpd.

The following table sets forth annual throughput and capacity utilization for PETRONAS' refineries in Malaysia for fiscal years 1999 through 2001.

Refinery	Fiscal Year Ended March 31,					
	1999		2000		2001	
	Throughput <sup>(1)</sup>	Capacity utilization <sup>(2)</sup>	Throughput <sup>(1)</sup>	Capacity utilization <sup>(2)</sup>	Throughput <sup>(1)</sup>	Capacity utilization <sup>(2)</sup>
Melaka Refinery						
PSR-1 .....	105.5	105.5%	96.0	96.0%	103.8	103.8%
Melaka Refinery						
PSR-2 <sup>(3)</sup> .....	—	—	90.1	90.1%	101.0	101.0%
Kertih Refinery .....	39.2	98.1%	41.7	104.0%	96.1	92.8%

(1) In thousands of bpd.

(2) Capacity utilization is the actual throughput divided by the installed rated capacity.

(3) Melaka Refinery PSR-2 commenced operations in phases from December 1998.

PETRONAS' refineries produce a wide range of petroleum products for domestic consumption and export, including low sulfur fuel oil, motor gasoline, jet fuel, naphtha, LPG, kerosene, diesel and low sulfur waxy residue.

*Melaka Refinery Complex.* The Melaka Refinery Complex has two refining trains. The first train ("PSR-1") commenced operations in 1994 and has a crude refining capacity of 100,000 bpd of light, sweet crude and condensates. PETRONAS Penapisan (Melaka) Sdn. Bhd. ("PETRONAS Penapisan (Melaka)"), a wholly-owned subsidiary of PETRONAS, owns and operates PSR-1.

The second train (“PSR-2”) commenced operations in phases from December 1998 and has a capacity of 100,000 bpd of sweet and sour crude. The ability to refine imported sour crude provides PETRONAS with greater flexibility in sourcing crude oil for refining. Malaysian Refining Company Sdn. Bhd. (“MRC”), a joint venture company in which PETRONAS owns a 53% interest, owns PSR-2. PETRONAS’ partner in MRC is ConocoPhillips, which holds the remaining 47% interest. PETRONAS Penapisan (Melaka) operates the train.

*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 capacity of 40,000 bpd of Malaysian light, sweet crude. The Kertih Refinery has been expanded to include a condensate splitting facility with a rated capacity of 63,500 bpd of condensates. The naphtha produced is used as feedstock for the aromatics plant adjacent to the Kertih Refinery. See “—Petrochemical Business.”

*Bintulu LPG Extraction Facility.* PETRONAS owns an LPG extraction facility in Bintulu, Sarawak, located in the vicinity of the LNG plants. The facility is operated by MLNG and is designed to extract 560,000 metric tons per annum of LPG from the LNG production process at the LNG plants. The facility commenced operations in October 1998. The LPG produced is currently exported via a dedicated LPG jetty to China, the Philippines, Vietnam and Singapore and is also used domestically in East Malaysia.

*PETRONAS Dagangan Berhad.* PETRONAS Dagangan Berhad (“PETRONAS Dagangan”), a majority-owned subsidiary of PETRONAS, conducts PETRONAS’ domestic marketing activities. PETRONAS Dagangan was listed on the Kuala Lumpur Stock Exchange in 1994. At March 31, 2002, PETRONAS held a 69.9% interest in PETRONAS Dagangan, which had a market capitalization as of such date of approximately US\$745 million. PETRONAS Dagangan markets a wide range of petroleum products, including motor gasoline, LPG, jet fuel, kerosene, diesel, fuel oil, asphalt and lubricants. PETRONAS Dagangan has a network of 591 service stations, seven LPG bottling plants, 10 bulk storage depots, 11 aviation depots and nine bunkering facilities in Malaysia. PETRONAS Dagangan purchases its refined petroleum products from PETRONAS.

PETRONAS Dagangan was the first company in Malaysia to market unleaded gasoline. PETRONAS Dagangan has the largest share of the Malaysian retail market for petroleum products and has emerged as the market leader in jet fuel, fuel oil and LPG. PETRONAS NGV Sdn. Bhd., a wholly-owned subsidiary of PETRONAS, has spearheaded a program for the commercialization of natural gas as an alternative motor vehicle fuel. Twenty of PETRONAS Dagangan’s service stations are equipped with the facilities to sell natural gas for vehicles, and PETRONAS Dagangan is in the process of equipping seventeen more of its service stations with similar facilities.

PETRONAS Dagangan owns 40% of a Multi-Product Pipeline and the Klang Valley Distribution Terminal (“KVDT”), which is located south of Kuala Lumpur. The pipeline is used to transport gasoline, jet fuel and diesel oil from PETRONAS’ refinery in Melaka and Shell’s and Esso’s refineries in Port Dickson to the KVDT. PETRONAS Dagangan also participates in a joint venture that developed and operates an aviation fuel storage facility at the Kuala Lumpur International Airport in Sepang.

PETRONAS Dagangan faces competition in the marketing and distribution of petroleum products in the domestic retail market. Competition for domestic sales of such products comes principally from the international petroleum companies that have refineries within, or accessible to, Malaysia and operate service stations in Malaysia. These companies include Shell, Esso, BP, Caltex, Mobil and Projet. These same companies also compete for sales of fuel to industrial users and government agencies. The Government of Malaysia regulates retail prices of petroleum products at service stations in Malaysia.

The following table sets forth PETRONAS' estimate of the sales volume and market share of the major participants in the refined petroleum products market in Malaysia at January 1, 2002.

<u>Companies</u>	<u>Sales Volume</u> (millions of liters)	<u>Market Share<sup>(1)</sup></u> (%)
PETRONAS Dagangan .....	8,982	34.2
Shell .....	8,727	33.2
Esso .....	3,438	13.1
BP .....	1,754	6.7
Caltex .....	1,752	6.7
Mobil .....	1,472	5.6
Other .....	187	0.5
Total .....	<u>26,312</u>	<u>100.0</u>

(1) Refers to market share for all domestic sales of refined petroleum products, including to industrial and retail end users, made during the calendar year.

#### *International Operations*

*South Africa.* PETRONAS has an oil refining and marketing presence in South Africa through its majority-owned subsidiary, Engen. Engen owns and operates a fully integrated crude oil refinery in Durban, South Africa with 105,000 bpd of installed rated crude refining capacity and an estimated 26% share of the South African petroleum market as of March 31, 2002. PETRONAS plans to supply a portion of its current and expected future oil production as feedstock for Engen's refinery. Refining margins in South Africa are set by the government through price controls which take into account posted and spot market prices of refined petroleum products from refineries in the Middle East and Singapore. Engen owns and operates a network of approximately 1,405 service stations, 119 of which are located in several sub-Saharan African countries mainly in Botswana, Namibia, Lesotho and Swaziland. A wholly-owned subsidiary of PETRONAS owns an 80% interest in Engen, while Worldwide African Investments (Pty) Ltd. indirectly holds an interest of 20%. PETRONAS' interest in Engen was acquired in 1996 and 1998 at a cost of approximately US\$780 million.

*China.* PETRONAS has a 20% interest in a joint venture company, Zhenjiang Zhonghai PETRONAS NIC Oil and Gas Co. Ltd. The project comprises an LPG receiving terminal and jetty, LPG bottling plant and related ancillary facilities in the Gaozi area, Jiangsu Province. The bottling plant has an annual filling capacity of 20,000 metric tons. The other joint venture partners are China National Offshore Huadong Energy Corporation (60%), Nissho Iwai Corporation (15%) and Danyang Petroleum Gas Corporation (5%). The joint venture commenced operations in 1997.

*India.* In August 1997, PETRONAS and Indian Oil Corporation Ltd. ("IOC") entered into a joint venture agreement to import and market LPG at Haldia in West Bengal. The LPG facility commenced operations in October 2001 with an annual capacity of 600,000 tons. PETRONAS and IOC each have a 50% interest in the joint venture company, Indian Oil PETRONAS Private Limited.

*Philippines.* PETRONAS, through a wholly-owned subsidiary, has a 60% interest in a joint venture company, PETRONAS Energy Philippines Inc., formed to undertake the terminaling, storage and marketing of LPG in the Philippines. The terminals are located in Iligan and Davao. The other joint venture partners are Masalingan Inc. (20%) and Alsons Consolidated Resources Inc. (20%). The joint venture commenced operations in 1997.

*Vietnam.* PETRONAS has a 49% interest in a joint venture company, Thang Long LPG Co., formed to undertake the importation, terminaling and marketing of LPG in northern Vietnam. PETRONAS' joint venture partner is PetroVietnam Gas Company, which has a 51% interest. The joint venture commenced operations in the second quarter of 1999.

*Cambodia.* PETRONAS' wholly-owned subsidiary, PETRONAS Cambodia Company Limited ("PCCL"), currently operates 18 service stations in Cambodia. It also markets petroleum products to industrial and commercial customers in the country. PETRONAS Cambodia Tankage Company Ltd., a wholly-owned subsidiary of PCCL, has operated a 7,000 cubic meter petroleum products storage facility since 1998.

*Thailand.* PETRONAS indirectly holds 100% of PETRONAS Marketing Thailand Company Limited (formerly PETRONAS Unique Petroleum Company Limited), which currently operates three service stations in Thailand.

*Myanmar.* PETRONAS has a wholly-owned subsidiary which engages in the supply of crude oil and petroleum products to Myanmar Petroleum Enterprise and the trading of general merchandise and lubricants.

*Seychelles.* PETRONAS has entered into a 30-year terminaling arrangement (starting January 25, 1995) with Seychelles Petroleum Co. for the distribution of petroleum products to the East African market. PETRONAS has been allocated storage capacity of 30,000 metric tons of gas, jet fuel and fuel oil.

### ***Trading Operations***

**PETCO.** PETRONAS Trading Corporation Sdn. Bhd. ("PETCO") is a wholly-owned subsidiary of PETRONAS that was formed to market and trade crude and petroleum products internationally. PETCO trades in indigenous and non-indigenous crude and petroleum products in the international market. Currently, PETCO markets and trades crude and petroleum products in Asia, Africa and the Indian sub-continent and has a trading operation in Dubai. PETCO does not maintain significant uncovered trading positions.

**MITCO.** Malaysian International Trading Corporation Sdn. Bhd. ("MITCO") is a wholly-owned subsidiary of PETRONAS that trades petrochemicals such as fertilizer and nitrogenous chemicals, industrial and specialty chemical and olefins and polymers. MITCO also acts as a trading house for general merchandise. MITCO through its subsidiary, Malaysian International Trading Corporation (Japan) Sdn. Bhd., procures equipment and spare parts for PETRONAS and third parties.

### **Petrochemical Business**

PETRONAS has expanded its petrochemical business by utilizing its abundant supplies of gas as petrochemical feedstock. This is consistent with PETRONAS' strategy to further utilize and add value to Malaysia's gas resources. While the production of certain basic petrochemicals has been phased in since the mid-1980s, PETRONAS has embarked on several large-scale petrochemical projects with multinational joint venture partners. In undertaking such projects, PETRONAS seeks joint venture partners that possess the appropriate technology, financing capability and marketing and distribution expertise. PETRONAS' joint venture partners include Dow Chemical, BASF Aktiengesellschaft, BP Chemicals, Idemitsu Petrochemical, Mitsubishi Corporation, Mitsui & Co. Ltd., DSM Polyethylenes B.V. and Polifin International Investments Ltd.

Through the development of the integrated petrochemical complexes ("IPCs"), PETRONAS seeks to achieve a competitive edge through the integration of petrochemical projects using common or related feedstock and common facilities within a self-contained complex. The Kertih and Gebeng IPCs are a major step towards establishing Malaysia as a regional petrochemical center. It is also envisioned that the integrated development of the petrochemical industry will promote the development of Malaysia's industrial base, especially the plastics and chemical-based component manufacturing industries. PETRONAS' long-term strategy is to move into high end, high value-added products such as specialty petrochemicals and to build capabilities for the export market.

As part of the development of the IPCs, PETRONAS has constructed infrastructure facilities, including centralized utility facilities ("CUFs") and chemical storage and distribution terminals. The CUFs, owned and operated by PETRONAS Gas, provide plants within the IPC with utilities such as electricity, steam, oxygen, nitrogen, demineralized water and waste water treatment. The CUFs in Kertih and Gebeng commenced operations in 1999 and 2000, respectively, and are fully operational. A 96-kilometer railway connecting the two

IPCs to Kuantan Port is currently under construction. The main 70-kilometer section of the railway is expected to be completed in May 2002.

### ***Kertih IPC***

The Kertih IPC principally consists 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, vinyl chloride monomer/PVC plants, ammonia/synthesis gas plants, an acetic acid plant, an aromatics complex and a low density polyethylene plant.

The petrochemical projects are fully integrated with the surrounding infrastructure facilities and other process plants in Kertih, including PETRONAS Gas' six GPPs and the Kertih Refinery located within the IPC. A joint venture among GATX, Dialog MCV and PETRONAS, with a 40% interest, owns and operates the storage and distribution terminal, which has a throughput of approximately 2.7 million tpa. The Kertih marine facilities include six berths that can accommodate chemical tankers up to 40,000 dead weight tons.

*Ethylene/Polyethylene Plants.* Ethylene Malaysia Sdn. Bhd., a joint venture company in which PETRONAS holds a 72.5% interest, owns and operates the ethylene plant. PETRONAS' partners are BP Chemicals Investment Limited (15%) and Idemitsu Chemicals Malaysia Holding Sdn. Bhd. (12.5%). Polyethylene (Malaysia) Sdn. Bhd., a joint venture company in which PETRONAS holds a 40% interest, owns and operates the polyethylene plant. PETRONAS' joint venture partner is BP Chemicals Investment Limited. Ethylene is a basic building block for the manufacture of petrochemicals. Polyethylene is an ethylene derivative which is used extensively in the fabrication of plastic products. The plants have the capacity to produce 400,000 tpa of ethylene and 200,000 tpa of polyethylene.

*Ethylene Cracker.* PETRONAS, Dow Chemical (through Union Carbide Corp.) and Polifin International Investments Ltd. ("Polifin") of South Africa own interests of 64.25%, 23.75% and 12%, respectively, in the ethylene cracker. About half of the ethylene and all of the propylene output from the ethylene cracker is used as feedstock for the ethylene oxide/ethylene glycol plant and the multi-unit derivatives plant. The balance of the ethylene production is made available to other downstream plants. The plant has the capacity to produce 600,000 tpa of ethylene and 92,000 tpa of propylene.

*Ethylene Oxide/Ethylene Glycol Plant.* PETRONAS and Dow Chemical (through Union Carbide Corp.) each holds a 50% share in the ethylene oxide/ethylene glycol plant. The plant uses Union Carbide's Meteor Process, a leading ethylene oxide/ethylene glycol technology. Ethylene glycol is widely used in the production of polyester fiber resins, antifreeze and thermoplastics. The plant has the capacity to produce 385,000 tpa of ethylene oxide and 385,000 tpa of ethylene glycol.

*Multi-Unit Derivatives Plant.* PETRONAS and Dow Chemical (through Union Carbide Corp.) own 50% shares in the multi-unit derivatives plant. The derivatives plant consists of five separate units, namely butanol, glycol ethers, butyl acetate, ethanolamines and ethoxylates mixing plants, which produce a wide range of petrochemical raw materials for the manufacture of detergents, paints and coatings, cosmetics, textiles and adhesives. The plant has the capacity to produce 140,000 tpa of butanol, 60,000 tpa of glycol ethers, 50,000 tpa of butyl acetate, 85,000 tpa of ethanolamines and 85,000 tpa of ethoxylates.

*Vinyl Chloride Monomer/Polyvinyl Chloride Plants.* PETRONAS, Mitsui VCM Holdings (Malaysia) Sdn. Bhd. and Mitsui & Co., Ltd. own a 60%, 30% and 10% interest, respectively, in a joint venture to own and operate a vinyl chloride monomer ("VCM") plant and a polyvinyl chloride ("PVC") plant. Both plants have been fully operational since March 2001. The VCM produced supplies the PVC plant and is also sold in the domestic market and exported to customers in the Asian region. The plants have the capacity to produce 400,000 tpa of VCM and 150,000 tpa of PVC.

*Ammonia/Synthesis Gas Plants.* PETRONAS, through a subsidiary, owns 100% interest in the ammonia and synthesis gas plants. The plants, which are operated by PETRONAS, obtain their natural gas from the GPPs. The ammonia, synthesis gas and carbon monoxide produced will be sold in the domestic and international markets, or used for further downstream petrochemical projects in neighboring plants. The plants

have the capacity to produce 450,000 tpa of ammonia, 325,000 tpa of synthesis gas and 248,000 tpa of carbon monoxide.

*Acetic Acid Plant.* PETRONAS and BP International Holdings B.V. own a 30% and 70% interest, respectively, in a joint venture to develop and operate an acetic acid plant. The plant began operations in November 2000. The plant uses BP Chemical's Cativa acetic acid technology, which management believes provides significant capital and operational savings compared to standard methanol carbonylation technology. Acetic acid is widely used in the production of end products such as cosmetics, paints and textiles. Output from the plant is sold in the domestic market and exported within the South East Asia region. The plant has the capacity to produce 400,000 tpa of acetic acid.

*Aromatics.* PETRONAS and MJPX Company Ltd. own a 70% and 30% interest, respectively, in Malaysia's first aromatics project. Mitsubishi Corporation in turn owns 66.7% and Japan Energy Corporation owns 33.3% of MJPX Company Ltd. The plant began commercial operations in July 2000. Paraxylene is used primarily to produce purified terephthalic acid, which in turn is used to produce polyester fiber or consumer products. A portion of the paraxylene produced is supplied to Amoco Chemicals' purified terephthalic acid plant located in the Gebeng IPC. Benzene is used primarily to produce styrene monomer and a portion of the benzene produced is supplied to the Pasir Gudang styrene monomer plant. See "—Other Petrochemical Projects in Malaysia—Pasir Gudang Ethylbenzene/Styrene Monomer Plant." The plant has the capacity to produce 420,000 tpa of paraxylene and 145,000 tpa of benzene.

*Low Density Polyethylene ("LDPE").* In February 1999, PETRONAS entered into an agreement with Polifin and DSM Polyethylenes BV ("DSM") of the Netherlands to build and operate an LDPE plant in the Kertih IPC. PETRONAS and Polifin each owns a 40% interest in the plant, and DSM owns 20%. The plant came onstream in February 2002. LDPE is used in the manufacture of agricultural and polyethylene films and in non-film applications such as injection moldings and foam. PETRONAS markets the output to other countries in the Association of South East Asian Nations ("ASEAN"), Taiwan and Australia. DSM markets the product to China and New Zealand while Polifin targets the Sub-Saharan African market. The plant has the capacity to produce 255,000 tpa of LDPE.

### ***Gebeng IPC***

The Gebeng IPC, which is similar to the Kertih IPC, is an integrated self-contained petrochemical complex with centralized utility facilities, and principally contains propylene-based petrochemical projects. The anchor project at the Gebeng IPC is a PETRONAS and BASF Aktiengesellschaft ("BASF") joint venture to build, own and operate an acrylic acid/acrylic esters plant, an oxo-alcohols complex and a butanediol plant. PETRONAS, through two subsidiaries, owns and operates a MTBE/propylene and polypropylene plant and, through one of the subsidiaries has developed a propane dehydrogenation plant.

The Gebeng IPC is also host to a number of multinational chemical companies, such as Amoco Chemicals, which owns and operates a purified terephthalic acid plant, and Eastman Chemicals, which owns and operates a copolyester plastic resin plant.

*Acrylic Acid/Acrylic Esters, Oxo-Alcohols and Butanediol.* PETRONAS and BASF own 40% and 60% interests, respectively, in a joint venture company to develop a petrochemical complex based on the "Verbund" concept, or integration and networking. The joint venture company currently operates the following plants:

- Acrylic Acid/Acrylic Esters Plant. The plant produces crude acrylic acid, which is processed into butyl acrylate, 2-ethyl hexyl acrylate and glacial acrylic acid. Acrylic acid is used primarily for the production of textiles, adhesives, emulsion paints, paper coatings, polish and leather finishes. The plant began operations in October 2001. Most of the acrylic acid produced from the plant is for the export market. The plant has the capacity to produce 160,000 tpa of crude acrylic acid, 100,000 tpa of butyl acrylate, 60,000 tpa of 2-ethyl hexyl acrylate and 20,000 tpa of glacial acrylic acid.
- Oxo-Alcohols Complex. The complex has been fully operational since March 2001. The products from the plants are used as feedstock to downstream plants within the complex to produce various

petrochemical products, including paints, plastics, paper and textile production. Most of the output is exported to customers in Asia, including India, China, Japan and Australia. The complex has the capacity to produce 90,000 tpa of 2-ehexanol, 40,000 tpa of phthalic anhydride, 100,000 tpa of DOP/DINP, 50,000 tpa of butyl acetate and 140,000 tpa of butanol.

- **Butanediol Plant.** The butanediol plant will utilize the maleic anhydride (“MAH”) produced by the plant within the complex as feedstock for the production of butanediol. The butanediol produced will be used mainly to manufacture polyurethanes and polybutylene terephthalates. Derivatives of butanediol are used to produce elastic fibers, solvents and specialty polymers for pharmaceutical and cosmetic applications. The plant is targeted to begin production in the fourth quarter of 2002. The plant has the capacity to produce 100,000 tpa of butanediol, 113,000 tpa of MAH, 16,000 tpa of tetrahydrofuran and 13,000 tpa of butyrolactone.

*MTBE/Propylene and Polypropylene.* PETRONAS owns and operates the MTBE/propylene and polypropylene plants through two wholly-owned subsidiaries, MTBE Malaysia Sdn. Bhd. (“MTBE Malaysia”) and Polypropylene Malaysia Sdn. Bhd. (“Polypropylene Malaysia”). MTBE is a high-quality additive for increasing the octane level in unleaded gasoline. The propylene produced is used as feedstock for the polypropylene plant. Polypropylene is one of the fastest growing base polymers for the manufacture of woven bags, plastics, films, ropes, chairs and other industrial products. MTBE Malaysia also owns a propane dehydrogenation plant which began commercial production in May 2001. This plant supplies propylene as feedstock to the PETRONAS/BASF acrylic acid/acrylic esters plant and oxo-alcohols complex. MTBE Malaysia’s production capacity of MTBE and propylene (type 80) is 300,000 tpa and 80,000 tpa, respectively. With the expansion of its propane dehydrogenation plant, MTBE Malaysia has increased its production capacity of MTBE to 600,000 tpa. Polypropylene Malaysia’s production capacity of polypropylene is 80,000 tpa.

#### *Other Petrochemical Projects in Malaysia*

*Labuan Methanol Plant.* In 1992, PETRONAS acquired from the Government of Malaysia a methanol plant located in Labuan, Malaysia that commenced operations in 1985. PETRONAS Methanol (Labuan) Sdn. Bhd., a wholly-owned subsidiary of PETRONAS, owns and operates the plant. The plant utilizes natural gas from offshore Sabah and has the capacity to produce 660,000 tpa of methanol. PETRONAS supplies methanol to the MTBE/propylene plant in the Gebeng IPC pursuant to a long-term sales contract and the balance is exported or sold to customers in Malaysia and in East Asia. Methanol is used to produce, among other things, formaldehyde, acetic acid, chloromethanes and methyl methacrylate.

*Bintulu Urea/Ammonia Complex.* PETRONAS, in association with four other ASEAN member countries, has established a fertilizer complex in Bintulu, Sarawak utilizing natural gas from offshore Sarawak as its feedstock. ASEAN Bintulu Fertilizer Sdn. Bhd., in which PETRONAS holds a 63.5% interest, owns and operates the plant. The plant, which commenced operations in 1985, has the capacity to produce 600,000 tpa of urea and 410,000 tpa of ammonia and is one of the largest granular urea plants in Asia. Urea is used as a commercial fertilizer. It can also be used in the manufacture of adhesives, molding powders, varnishes and foams. Ammonia is the base chemical used in the production of fertilizers but has other applications, such as a refrigerant in both compression and absorption refrigeration systems.

*Gurun Urea/Ammonia Complex.* The fertilizer plant located in Gurun in the state of Kedah, Peninsular Malaysia commenced operations in October 1999. The plant has a capacity of 375,000 tpa of ammonia, 600,000 tpa of urea, 66,000 tpa of methanol and 5,700 tpa of urea formaldehyde. PETRONAS’ wholly-owned subsidiary, PETRONAS Fertilizer (Kedah) Sdn. Bhd., owns and operates the plant. The plant sources natural gas from the Kertih GPPs via the PGU pipeline. A portion of the output is sold in Malaysia and the rest is exported to Thailand, Korea, Japan, Australia and the United States.

*Pasir Gudang Ethylbenzene/Styrene Monomer Plant.* A joint venture in which PETRONAS owns a 30% interest and Idemitsu Petrochemical owns a 70% interest owns and operates the ethylbenzene/styrene monomer plant. The plant commenced operations in 1997 with a capacity of 220,000 tpa of ethylbenzene and 200,000 tpa of styrene monomer. Ethylene and benzene for the plant are sourced from the ethylene and

aromatics plants in Kertih. Styrene monomer is a raw material used for the production of polystyrene and unsaturated polyester resins. These polymers are used in the manufacture of plastic casings, insulation materials and rubber goods.

#### *Overseas Petrochemical Projects*

*Philippines.* PETRONAS owns a 38.6% interest in a joint venture polyethylene project in Bataan, the Philippines. PETRONAS' joint venture partners are BP Holdings International BV (38.6%), Bataan Polyethylene Holdings Corporation (16.4%) and Sumitomo Corporation (6.4%). The plant was commissioned in July 2000 and started commercial production in September 2000. It has a production capacity of 250,000 tpa of polyethylene. A portion of the ethylene feedstock for the plant will be sourced from PETRONAS' ethylene plant in the Kertih IPC. This project has been scaled down and currently produces only a minimal amount of polyethylene.

*Vietnam.* PETRONAS has a 50% interest in Phu My Plastics and Chemicals Co. Ltd, a joint venture to develop a PVC plant in Vung Tau, Vietnam. The plant is expected to come onstream in the fourth quarter of 2002 and will obtain its feedstock from PETRONAS' joint venture VCM plant. The plant is expected to have a production capacity of 100,000 tpa of PVC. PETRONAS' partners are PetroVietnam (43%) and Tramatsuco (7%).

#### **Logistics and Maritime Business**

##### *Malaysia International Shipping Corporation Berhad ("MISC")*

At March 31, 2002, PETRONAS owned 62.4% of MISC, the largest shipping company in Malaysia, which enables it to integrate and rationalize logistics and shipping support for its operations in LNG, crude oil and petroleum product exports. MISC owns and operates one of the world's largest fleets of LNG tankers. It is listed on the Kuala Lumpur Stock Exchange. At March 31, 2002, MISC had a market capitalization of approximately US\$3,402 million.

At March 31, 2002, MISC's fleet included 13 LNG tankers, 52 bulk carriers, 17 petroleum tankers, 15 chemical tankers, and 27 container ships. All of the LNG tankers are on 20-year time charters to MLNG for the transport of LNG to MLNG's customers in Japan, Korea and Taiwan. Five of the LNG tankers are nearing the end of their charters. MISC has chartered one of the tankers to Gaz de France for a term of three years (with an option to extend for one year), and is considering new charters with MLNG for the remaining four tankers. In addition, MISC has placed firm orders and awarded contracts for the construction of six new LNG tankers, which will be placed on long-term charters for MLNG Tiga, at an estimated cost of US\$1 billion. Delivery of the tankers is expected to take place between 2002 and 2005.

MISC deploys other vessels in its fleet for the transportation of crude oil, petroleum products, petrochemical products, dry bulk and containers. MISC's 17 petroleum vessels, comprising nine crude tankers, five product tankers and three LPG carriers, are deployed for the transport of Malaysian crude oil, fuel oil and condensates for PETRONAS, as well as for the service of other customers in the Asia-Pacific region. PETRONAS expects that MISC's chemical and petroleum tanker services will benefit from the expansion of PETRONAS' petrochemical operations.

In April 2002, MISC entered into a joint venture agreement with Bakri Navigation Co. Ltd. of Saudi Arabia for maritime transportation and shipping services in the region.

#### **Other Activities**

##### *Kuala Lumpur City Centre Project*

PETRONAS owns 49.5% of KLCC Holdings Sdn. Bhd. ("KLCC Holdings"), a joint venture established to undertake the development and management of real estate properties in the Kuala Lumpur City Centre ("KLCC"). The KLCC project is located on 100 acres of prime land situated in central Kuala Lumpur. Fifty acres of the site have been designated for a park with the other 50 acres designated for

commercial development over 15 to 20 years. Sixteen acres have been commercially developed to date. The entire project is expected to provide 18 million square feet of a mix of commercial, retail, hotel and recreational facilities.

PETRONAS' corporate headquarters is located in Tower 1 of the 88-story PETRONAS Twin Towers, which are an integral part of the KLCC project. The Twin Towers were completed in early 1997 and, at 451.9 meters, are the world's tallest buildings. Midciti Resources Sdn. Bhd. owns the Twin Towers and leases Tower 1 and Tower 2 to PETRONAS. PETRONAS holds an effective 73.8% beneficial interest in Midciti Resources, which is a joint venture between PETRONAS and KLCC Holdings.

#### ***Proton***

In November 2000, PETRONAS acquired a 27.2% equity interest in Perusahaan Otomobil Nasional Berhad ("Proton"), the Malaysian automobile manufacturer. In March 2002, PETRONAS' interest was reduced to 11.8% pursuant to a share swap with Khazanah Nasional Bhd., in which PETRONAS' interest in Putrajaya Holdings Bhd., will be increased by 24.4% to 64.4%. The transfer of the shares of Putrajaya Holdings Bhd. to PETRONAS is pending formal approval from the regulatory authorities.

#### ***Putrajaya***

Pending formal regulatory approval, PETRONAS will own 64.4% of Putrajaya Holdings Sdn. Bhd., the company responsible for the development of Putrajaya, a project to develop a new township where the new federal administrative center is located in the outskirts of Kuala Lumpur. The other shareholders in Putrajaya Holdings are Khazanah Holdings (15.6%), wholly owned by the Government of Malaysia, and the National Heritage Fund (20%).

#### **Research and Development**

PETRONAS Research and Scientific Services Sdn. Bhd., a wholly-owned subsidiary of PETRONAS, was established to provide research and development support services to PETRONAS, the PSC Contractors and other corporations. It carries out business-driven research and development projects, covering primarily petroleum exploration and production, product development and process technology, and also provides value-added technical consultancy and laboratory services.

As part of its ongoing efforts to promote the transfer of technology, PETRONAS has entered into a joint venture with a Formula One partner, Red Bull Sauber Holding of Switzerland, to form Sauber PETRONAS Engineering AG ("SPE"). SPE's involvement in automotive engine design is expected to enhance PETRONAS' knowledge base and expertise in engines, fuel, lubricants and composite technology. SPE also provides an effective platform for the promotion of research and development and the nurturing of indigenous technological capabilities in the field of automotive engineering within PETRONAS.

#### **Insurance**

PETRONAS has comprehensive insurance policies that cover its business and its properties. PETRONAS employs a risk management policy for purposes of analyzing the risks faced by its businesses in determining the appropriate insurance policies. PETRONAS' coverage includes property damage, third party liability and group term life insurance. PETRONAS considers its insurance coverage to be in accordance with industry standards.

#### **Environmental Matters**

Malaysia has adopted a legislative framework for the control of pollution and the protection of the environment in Malaysia which includes the Environmental Quality Act 1974 and the regulations enacted pursuant thereto and the Petroleum (Safety Measures) Act 1984 and the regulations enacted pursuant thereto. As a fully integrated oil and gas company, PETRONAS and its activities are subject to these laws and regulations. In addition, PETRONAS' overseas activities are subject to the laws of various other jurisdictions.

Management believes that PETRONAS is in compliance in all material respects with all applicable environmental laws and regulations. However, some risk of environmental costs and liabilities is inherent in the operations of PETRONAS, as it is with all companies in the oil and gas industry, and there can be no assurance that material costs and liabilities will not be incurred in the future.

PETRONAS, as owner and manager of the oil and gas resources of Malaysia, has established its own detailed environmental requirements that include environmental impact assessment studies, oil spill contingency plans, post-environmental impact assessment monitoring, environmental auditing and inspections, environmental studies and monitoring for all PETRONAS projects.

### **Human Resources**

At March 31, 2002, PETRONAS and its subsidiaries employed a total of 25,724 people, compared to 23,441 people and 23,430 people at March 31, 2001 and March 31, 2000, respectively. A total of 5,483 of PETRONAS' non-executive employees belong to the four regional branches of its in-house union. PETRONAS' union agreements typically have a term of three years. Negotiations on the 2001-2004 agreements have concluded and the agreements are expected to be signed by June 2002. Management believes it generally has a good relationship with its employees and with its in-house union.

PETRONAS maintains a non-contributory pension plan for all employees. The pension fund, PETRONAS' Retirement Benefit Scheme, is governed by a trust deed and is administered by a board of trustees. Based upon actuarial advice received by management, PETRONAS believes the plan is adequately funded. In addition, 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.

PETRONAS believes it is important to provide its employees with ongoing learning and development opportunities and offers its staff training courses covering all aspects of PETRONAS' operations. PETRONAS Management Training Sdn. Bhd., a wholly-owned subsidiary, provides functional, technical and management development programs for PETRONAS and the oil and gas industry as well as other related industries in Malaysia.

As part of PETRONAS' commitment to support the nation's long-term development of its resources, the Institute Technology PETRONAS was established in 1995 to provide higher education in technical and engineering disciplines. The institute was upgraded to university status in 1997 and is now called University Technology PETRONAS. The university currently operates from its campus in Tronoh, Perak.

### **Litigation**

In March 2001, the Government of the State of Terengganu, one of the states in Malaysia, filed a suit against the Government of Malaysia and PETRONAS for non-payment of oil royalties since September 2000. The central issue in the case is whether the Government of the State of Terengganu has rights to petroleum located in the continental shelf beyond its territorial waters. The Government of Malaysia and PETRONAS believe that the State of Terengganu does not have such rights and that cash payments made in the past were not legally required.

The Government of Malaysia and PETRONAS recently completed submissions to the High Court in an interlocutory proceeding to determine certain procedural issues relating to the case. The High Court has not fixed a date for its judgment on the procedural issues.

Pending the outcome of the suit, PETRONAS has made the disputed oil royalty payment to the Government of Malaysia. The Government of Malaysia has informed PETRONAS that the disputed oil royalty payment is being held in a trust account. In view of this arrangement, PETRONAS does not believe that it would have any further exposure for the amounts claimed by the Government of the State of Terengganu.

## PETRONAS CAPITAL LIMITED

PETRONAS Capital Limited is a wholly-owned subsidiary of PETRONAS and was incorporated in Labuan, Malaysia under the Offshore Companies Act 1990 on April 17, 2002. At the date of this Listing Circular, PETRONAS Capital Limited has an authorized share capital of US\$50,000,000, divided into 50,000,000 shares of US\$1.00 par value each, of which 2,000 shares have been issued.

PETRONAS Capital is a financing vehicle for PETRONAS. It has no other operations. PETRONAS Capital Limited will provide substantially all proceeds of its borrowings to PETRONAS or its subsidiaries and associated companies.

The directors of PETRONAS Capital Limited as of the date of this Listing Circular are:

<u>Name</u>	<u>Position</u>	<u>Year Appointed</u>
Mohd Hassan Marican .....	Director	2002
Ishak Imam Abas .....	Director	2002
Faridah Haris Hamid .....	Director	2002
Mariah Mohamad Said .....	Director	2002

The registered office of PETRONAS Capital Limited is Unit Level 13(E), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Labuan Federal Territory, Malaysia. The correspondence address of each of the directors of PETRONAS Capital Limited for the purposes of his or her 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 officers (Mohd Hassan Marican and Ishak Imam Abas) or as employees (Faridah Haris Hamid and Mariah Mohamad Said) of the Guarantor.

### **Capitalization**

The following table sets forth the unaudited capitalization of PETRONAS Capital Limited as of the date of this Listing Circular:

#### Shareholders' Funds

Share Capital (Authorized — 50,000,000 ordinary shares) .....	US\$50,000,000
Issued — 2,000 ordinary shares of US\$1.00 par value each .....	US\$2,000

All of the capital of PETRONAS Capital Limited is fully paid up. As of May 31, 2002, PETRONAS Capital Limited had no debt other than the Notes.

### **Financial Statements**

Since the date of its incorporation, no financial statements of PETRONAS Capital Limited have been prepared because PETRONAS Capital Limited is not required to produce financial statements under Malaysian law and management has determined that financial statements would not be material to investors. PETRONAS Capital Limited does not intend to publish financial statements in the future.

## 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 15 directors. Pursuant to the Articles of Association, the Board consists of the Chairman, the executive members (the President and Chief Executive Officer and the Senior Vice-Presidents) and non-executive members. The Board of Directors currently comprises eight individuals, namely the Chairman, three executive members (the President and two Senior Vice-Presidents) and four non-executive members. The Chairman is appointed by the Prime Minister of Malaysia. One-third of the non-executive members of the Board are subject to annual retirement by rotation, although they may be reappointed.

The current directors of PETRONAS are as follows:

<u>Name<sup>(1)</sup></u>	<u>Current Position/Occupation</u>	<u>Director Since</u>
Azizan Zainul Abidin	Chairman	February 10, 1988
Mohd Hassan Marican	President and Chief Executive Officer	February 27, 1989
Zaki Tun Azmi	Advocate and Solicitor	October 1, 1988
Mohamad Idris Mansor	Senior Vice-President, Exploration and Production	October 1, 1993
Dr. Zainul Ariff Haji Hussain	Director General, Implementation Coordination Unit, Prime Minister's Department	June 30, 1998
Dr. Samsudin Hitam	Secretary General to Treasury, Minister of Finance	February 22, 1999
Ishak Imam Abas	Senior Vice-President, Finance	April 1, 2000
Iskandar Dzakurnain Badarudin	Director General, Economic Planning Unit, Prime Minister's Department	July 25, 2000
Ithnin Hassan (alternate to Dr. Samsudin Hitam)	Secretary, Monitoring & Control Division, Ministry of Finance	August 29, 2000
Mohd Zarif Mohd Zaman (alternate to Iskandar Dzakurnain Badarudin)	Director, Industry Section, Economic Planning Unit, Prime Minister's Department	August 29, 2000

(1) In order of date of appointment to the Board, except for the Chairman and the President and Chief Executive Officer.

### **Management Committee**

The Management Committee of PETRONAS is primarily responsible for overseeing PETRONAS' operations. The Management Committee consists of executive members of the Board of Directors and senior management. The current members of the Management Committee are as follows:

<u>Name</u>	<u>Current Position</u>	<u>Date Joined PETRONAS</u>
Mohd Hassan Marican	President and Chief Executive Officer	February 1, 1989
Mohamad Idris Mansor	Senior Vice-President, Exploration and Production	February 4, 1976
Ishak Imam Abas	Senior Vice-President, Finance	March 2, 1981
Mohd Ali Haji Yasin	Vice-President, Logistics and Maritime	March 3, 1975
Shamsul Azhar Abbas	Vice-President, Oil Business	August 21, 1975
Muri Muhammad	Vice-President, Gas Business	August 1, 1975
Abdul Rahim Abu Bakar	Vice President, Petrochemical Business	May 2, 1995
Abdul Rahim Hj. Hashim	Vice-President, Human Resources Division	September 1, 1976
Mariam Rahimah Haji Mukhtar	Vice-President, Education Division	February 2, 1981
Anuar Ahmad	Managing Director/CEO, PETRONAS Dagangan Bhd.	September 19, 1977
Abdul Hamid Ibrahim	Managing Director/CEO, PETRONAS Gas Bhd.	June 1, 1976
Abdullah Karim	Managing Director/CEO, Malaysia LNG Sdn. Bhd.	February 21, 1977
Mohammed Azhar Osman Khairuddin	Senior General Manager, Legal and Corporate Affairs Division	June 1, 1979
Nasarudin Md. Idris	Senior General Manager, Corporate Planning and Development Division	May 1, 1978
Mohamed Johari Dasri	Managing Director/CEO PETRONAS Carigali Sdn. Bhd.	October 1, 1980

### **Compensation**

The aggregate compensation paid by PETRONAS to the members of its Management Committee in the fiscal year ended March 31, 2002 for services in all capacities was approximately RM9.2 million (US\$2.4 million).

## SHARE OWNERSHIP

The shareholders of PETRONAS as of the date of this Listing Circular are as follows:

<u>Name of Owner</u>	<u>Percent of Ownership</u>
The Minister of Finance (Incorporated) of Malaysia .....	99.99
The Federal Land Commissioner of Malaysia .....	0.01

## RELATIONSHIP WITH THE GOVERNMENT OF MALAYSIA

PETRONAS was established by the Government of Malaysia in 1974 to own and manage the petroleum resources of Malaysia. 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 1965, as owner of PETRONAS, the Government of Malaysia controls the approval of all corporate matters that require shareholder resolution, including approval of dividends and appointment of directors. Various Government of Malaysia officials currently serve on PETRONAS' Board of Directors, including the Secretary General of the Ministry of Finance and the Director-Generals of the Implementation Coordination Unit and Economic Planning Unit of the Prime Minister's Department.

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 five-year economic plans. See "Annex B—Malaysia."

Absent a contractual obligation, the Government of Malaysia is not liable for PETRONAS' obligations.

## DESCRIPTION OF THE NOTES

The Notes will be issued pursuant to a Fiscal Agency Agreement (the “Fiscal Agency Agreement”) to be dated as of May 22, 2002 among the Issuer, PETRONAS and The Bank of New York, as Fiscal Agent (the “Fiscal Agent”) and as Registrar, which provides for the issuance of unlimited series of debt securities. The paying agents and transfer agents (the “Paying Agents” and “Transfer Agents,” respectively), appointed in accordance with the Fiscal Agency Agreement, are set forth on the inside back cover hereof. The Fiscal Agent or any Paying Agent shall also act as the Transfer Agent in the event that the Issuer issues certificates for the Notes in registered form as set forth in “Definitive Notes.” The following summaries of certain provisions of the Notes, the Guarantee and the Fiscal Agency Agreement do not purport to be complete and are qualified in their entirety by reference to the provisions of the Notes and the Fiscal Agency Agreement.

### General

The Notes will be the direct, unconditional, unsubordinated and unsecured general obligations of the Issuer and will at all times rank *pari passu* among themselves, without any preference of one over the other by reason of priority of date of issue or otherwise, and at least equally with all other outstanding unsecured and unsubordinated general obligations of the Issuer.

The Notes will be unconditionally guaranteed as to the payment of the principal and interest in respect thereof by PETRONAS as evidenced by the Guarantee. The Guarantee is a direct, unconditional and unsecured obligation of PETRONAS and will rank at least equally with all other outstanding unsecured and unsubordinated general obligations of PETRONAS (except to the extent that certain other indebtedness ranks above such obligation solely by reason of certain Liens (as defined below) not being subject to the negative pledge set out in “—Certain Covenants—Negative Pledge”).

*Terms of the EUR 2009 Notes.* The EUR 2009 Notes will be issued in an aggregate principal amount of €750,000,000 and will mature on May 22, 2009 (together with each of the respective maturity dates of the USD 2012 Notes and the USD 2022 Notes stated below, a “Maturity Date”). Each of the EUR 2009 Notes will bear interest from May 22, 2002 at the rate of 6.375% per annum. Interest on the EUR 2009 Notes will be payable annually on May 22 of each year, commencing on May 22, 2003 (together with the respective interest payment dates of the USD 2012 Notes and the USD 2022 Notes stated below, an “Interest Payment Date”), to the persons in whose names the Notes (or any predecessor Notes) are registered at the close of business on the fifteenth day preceding such Interest Payment Date. Whenever it is necessary to compute any amount of accrued interest in respect of the EUR 2009 Notes for a period of less than a full year, it shall be calculated on the basis of (i) the actual number of days in the period from and including the date from which interest begins to accrue (the “Accrual Date”) to but excluding the date on which it falls due divided by (ii) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.

*Terms of the USD 2012 Notes.* The USD 2012 Notes will be issued in an aggregate principal amount of US\$1,300,000,000 and will mature on May 22, 2012. Each of the USD 2012 Notes will bear interest from May 22, 2002 at the rate of 7.000% per annum. Interest on the USD 2012 Notes will be payable semi-annually on May 22 and November 22 of each year, commencing on November 22, 2002, to the persons in whose names the Notes (or any predecessor Notes) are registered at the close of business on the fifteenth day preceding such Interest Payment Date. Interest on the USD 2012 Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

*Terms of the USD 2022 Notes.* The USD 2022 Notes will be issued in an aggregate principal amount of US\$750,000,000 and will mature on May 22, 2022. Each of the USD 2022 Notes will bear interest from May 22, 2002 at the rate of 7.875% per annum. Interest on the USD 2022 Notes will be payable semi-annually on May 22 and November 22 of each year, commencing on November 22, 2002, to the persons in whose names the Notes (or any predecessor Notes) are registered at the close of business on the fifteenth day preceding such Interest Payment Date. Interest on the USD 2022 Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Any payment of principal or interest otherwise required to be made in respect of a Note on a date that is not a Business Day need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on such date, and no additional interest shall accrue as a result of such delayed payment. “Business Day” means:

- (i) in the case of the EUR 2009 Notes, any day, other than a Saturday or Sunday, on which the Trans-European Automated Real-Time Gross-Settlement Express Transfer (“TARGET”) system operates and banking institutions are open for business in Kuala Lumpur, Labuan and the place where any account for the making or receipt of payment by the Fiscal Agent is located, and
- (ii) in the case of the USD 2012 Notes and the USD 2022 Notes, any day, other than a Saturday or Sunday, that is not a day on which banking institutions are authorized or required by law or executive order to be closed in New York City, Kuala Lumpur or Labuan.

Persons in whose name a registered Note is held are herein referred to as “Holders.”

PETRONAS’ senior unsecured long-term debt has credit ratings of “Baa1” (Moody’s Investors Service, Inc.), “BBB” with a positive outlook (Standard & Poor’s) and “BBB” (Fitch, Inc.). You should not view the ratings of such debt securities as a recommendation to buy, sell or hold such debt securities.

The Notes will be issued only in fully registered form without coupons. In the case of Notes initially sold pursuant to Rule 144A and Regulation S, the Notes will be issued in minimum denominations of (i) €100,000 for the EUR 2009 Notes and (ii) US\$100,000 for the USD 2012 Notes and the USD 2022 Notes. In the case of Notes sold to institutional “accredited investors” (as defined in Rule 501(a)(1), (2), (3) or (7) of the Securities Act), the Notes will be issued in minimum denominations of (x) €250,000 for the EUR 2009 Notes and (y) US\$250,000 for the USD 2012 Notes and the USD 2022 Notes. Notes in excess of these denominations will be issued in integral multiples of €1,000 and US\$1,000, respectively.

### **The Global Notes**

The Notes sold outside the United States in offshore transactions (the “Unrestricted Notes”) in reliance on Regulation S under the Securities Act, subject to certain exceptions, will be represented by one or more global certificates in fully registered form without coupons (collectively, the “Unrestricted Global Notes”).

The Unrestricted Global Notes representing the EUR 2009 Notes (the “EUR Unrestricted Global Notes”) will be deposited with The Bank of New York as common depositary for Euroclear and Clearstream and registered in the name of The Bank of New York or its nominee. The Unrestricted Global Notes representing the USD 2012 Notes and the USD 2022 Notes (the “USD Unrestricted Global Notes”) will be registered in the name of a nominee of The Depository Trust Company (“DTC”) and deposited with The Bank of New York as custodian for DTC for the accounts of Euroclear and Clearstream.

Until and including the 40th day after the commencement of the offering of the Notes (the “Restricted Date”), beneficial interests in any Unrestricted Global Note may be held only through Euroclear or Clearstream, unless delivery is made through a Restricted Global Note (as defined below) in accordance with the certification requirements described below.

The Notes sold in reliance on Rule 144A under the Securities Act (the “Restricted Notes”), subject to certain exceptions, will be represented by one or more global certificates in fully registered form without coupons (collectively, the “Restricted Global Notes,” and together with the Unrestricted Global Notes, the “Global Notes”).

The Restricted Global Notes representing the EUR 2009 Notes (the “EUR Restricted Global Notes”) will be deposited with The Bank of New York as common depositary for Euroclear and Clearstream and registered in the name of The Bank of New York or its nominee. The Restricted Global Notes representing the USD 2012 Notes and the USD 2022 Notes (the “USD Restricted Global Notes”) will be registered in the name of a nominee of DTC and deposited with The Bank of New York as custodian for DTC.

The Restricted Global Notes will be subject to certain restrictions on transfer as set forth in a legend appearing thereon as described in “Transfer Restrictions.”

On or prior to the Restricted Date, an interest in an Unrestricted Global Note may be transferred to a person who takes delivery in the form of an interest in a Restricted Global Note only upon receipt by the Fiscal Agent of (A) instructions from DTC, Euroclear or Clearstream directing the Fiscal Agent to effect the exchange or transfer of an interest in an Unrestricted Global Note and (B) a written certification (in the form provided for in the Fiscal Agency Agreement) from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes to be a “qualified institutional buyer” within the meaning of Rule 144A under the Securities Act and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After the Restricted Date, an interest in an Unrestricted Global Note may be transferred without any certification.

Interests in a Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note, whether before, on or after the Restricted Date, only upon receipt by the Fiscal Agent of, among other things, a written certification (in the form provided for in the Fiscal Agent Agreement) from the transferor.

Any interest in one Global Note will, upon transfer and delivery, in the form of an interest in another Global Note, cease to be an interest in the first Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all of its transfer restrictions and other procedures for as long as it remains such an interest. Interests in the Notes represented by such Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear or Clearstream (in the case of the EUR 2009 Notes) or records maintained by DTC, Euroclear and Clearstream (in the case of the USD 2012 Notes and the USD 2022 Notes), and their respective direct and indirect participants.

DTC, Euroclear or Clearstream, as the case may be, as registered Holder of such Global Note will be considered the sole owner or Holder of the Notes represented by such Global Note for all purposes under such Notes and the Fiscal Agency Agreement, unless otherwise provided therein.

Payments of principal and interest on any EUR Restricted Global Note and EUR Unrestricted Global Note (collectively, the “EUR Global Notes”) will be made in accordance with the settlement and clearing procedures of Euroclear and Clearstream. Payments of principal and interest on any USD Restricted Global Note and USD Unrestricted Global Note (collectively, the “USD Global Notes”) will be made in accordance with the settlement and clearing procedures of DTC. None of the Issuer, PETRONAS, the Fiscal Agent, or any of their respective agents will have any responsibility or liability for any aspect of any participant’s records, policies or procedures relating to, or for payments made on account of, beneficial interests in a Global Note or for any other aspect of the relationship between DTC, Euroclear or Clearstream, as the case may be, and their participants, or for maintaining, supervising or reviewing any records relating to such beneficial interests.

All payments on principal and interest on the Global Notes will be made in immediately available funds.

The Issuer expects that DTC, Euroclear, Clearstream, or their respective nominees, upon receipt of any payment of principal or interest, will credit participants’ accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Notes as shown on the records of DTC, Euroclear or Clearstream, as applicable. The Issuer also expects that the payments by participants to owners of beneficial interests in such Global Notes held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the account of customers registered in “street names,” and will be the responsibility of such participants.

### **Depository Procedures**

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change by them from time to time. The Issuer and PETRONAS take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

DTC has advised the Issuer as follows: DTC 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 U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to DTC is available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly.

Euroclear and Clearstream have advised the Issuer as follows: Euroclear and Clearstream hold securities for their accountholders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Each of Euroclear and Clearstream can settle securities transactions in any of more than 30 currencies, including euros. Euroclear and Clearstream each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective accountholders may settle trades with each other. Accountholders in Euroclear and Clearstream 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 accountholder of either system. Accountholders’ overall contractual relations with Euroclear and Clearstream are governed by the respective rules and operating procedures of Euroclear and Clearstream and any applicable laws. Euroclear and Clearstream both act under such rules and operating procedures only on behalf of their respective accountholders, and have no record of or relationship with persons holding through their respective accountholders.

### **Settlement and Clearance**

Initial settlement for the Notes will be made in same-day funds. Transfers between participants in DTC will be effected in accordance with DTC’s procedures, which currently provide for settlement in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Ownership of beneficial interests in a USD Global Note will be limited to persons who have accounts with DTC participants or persons who hold interests through participants. Upon the issuance of a USD Global Note, DTC or its custodian will credit, on its internal system, the respective principal amount of the beneficial interests represented by such USD Global Note to the accounts of its participants. Such account initially will be designated by or on behalf of the managers. Ownership of beneficial interests in a USD Global Note will be shown only on, and the transfer of such ownership interests will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants), or by any such participant (with respect to interests of persons held by such participants on their behalf). Ownership of beneficial interests in a EUR Global Note will be limited to persons who have accounts with Euroclear and Clearstream or persons who hold interests through such accountholders, and such beneficial interests will be shown on, and transfers will be effected only through, records maintained by Euroclear and Clearstream. Payments, transfers, exchanges and other matters relating to beneficial interests in a Global Note may be subject to various policies and procedures adopted by DTC, Euroclear or Clearstream, as the case may be, from time to time.

Subject to compliance with the transfer restrictions applicable to the Notes described above and under “Transfer Restrictions” below, cross-market transfers of USD 2012 Notes and USD 2022 Notes between DTC, on the one hand, and Euroclear or Clearstream, on the other hand, will be effected in DTC in

accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterpart in such system in accordance with its rules and procedures and within its established deadlines (Brussels time). Each of Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the USD Unrestricted Global Notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream accountholders and Euroclear accountholders may not deliver instructions directly to the depositaries for Clearstream or Euroclear.

Because of time zone differences, the securities account of a Euroclear or Clearstream accountholder purchasing an interest in the USD 2012 Notes or the USD 2022 Notes from a DTC participant will be credited during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the DTC settlement date, and such credit of any transactions in interests in a Global Note settlement during such processing day will be reported to the relevant Euroclear or Clearstream accountholder on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in a USD Global Note by or through a Euroclear or Clearstream accountholder to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC. Settlement between Euroclear or Clearstream accountholders and DTC participants cannot be made on a delivery versus payment basis. The arrangements for transfer of payments must be established separately from the arrangements for transfer of securities, the latter being effected on a free delivery basis. The customary arrangements for delivery versus payment between Euroclear and Clearstream accountholders or between DTC participants are not affected.

Although DTC, Euroclear and Clearstream have agreed to the procedures described above in order to facilitate transfers of interests in the Global Notes among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time. None of the Issuer, PETRONAS, the Fiscal Agent or any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

### **Definitive Notes**

The Notes sold to institutional accredited investors in transactions exempt from registration under the Securities Act (“Accredited Investor Notes”) will be represented by definitive (*i.e.*, non-global) certificates (collectively, the “Definitive Notes” and each, a “Definitive Note”) in fully registered form without coupons. The Accredited Investor Notes will be subject to certain restrictions on transfer as set forth in a legend appearing thereon as described in “Transfer Restrictions.”

Accredited Investor Notes may not be exchanged for beneficial interests in any Global Note unless such exchange occurs in connection with a transfer of such Accredited Investor Note and the transferor first delivers to the Fiscal Agent a written certificate to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Note.

Beneficial interests in any EUR Global Note may be exchanged for Definitive Notes only in the event that (i) Euroclear or Clearstream notifies the Issuer in writing at any time that it is unwilling or unable to continue as depositary, and a successor is not appointed by the Issuer within 90 days after the Issuer is notified by Euroclear or Clearstream or becomes aware of such condition or (ii) the EUR 2009 Notes have become immediately due and payable pursuant to the Fiscal Agency Agreement. Beneficial interests in any USD Global Note may be exchanged for Definitive Notes only in the event that (x) DTC notifies the Issuer in writing at any time that DTC is unwilling or unable to continue as depositary or ceases to be a “clearing agency” registered under the Exchange Act, and a successor is not appointed by the Issuer within 90 days after the Issuer is notified by DTC or becomes aware of such condition or (y) the USD 2012 Notes or the

USD 2022 Notes, as applicable, have become immediately due and payable pursuant to the Fiscal Agency Agreement.

Payment of the principal of any Definitive Note shall be made, upon presentation and surrender of such Note, by check drawn on a bank in The City of New York at the option of the Holder, either:

- (i) at the corporate trust office of the Fiscal Agent in the Borough of Manhattan, The City of New York, or the branch office of the Fiscal Agent in Singapore, or
- (ii) subject to any applicable laws or regulations and the right of the Issuer to terminate the appointment of any such Paying Agent, at the office of the Luxembourg Paying and Transfer Agent (initially as set forth on the inside back cover hereof) and at the offices of such other paying agents as the Issuer may designate from time to time.

Payments of interest on (a) any EUR 2009 Note shall be made solely in Euro by check drawn on a bank in the principal financial center of any Member State of the European Communities and (b) any USD 2012 Note or USD 2022 Note shall be made solely in U.S. dollars by check drawn on a bank in The City of New York, in each case mailed to the address of the person entitled thereto as such address shall appear on the securities register (the "Securities Register") maintained by the Fiscal Agent pursuant to the Fiscal Agency Agreement. The Issuer, PETRONAS and the Fiscal Agent may deem and treat the Holder in whose name a Definitive Note is registered at the close of business on the fifteenth day preceding such Interest Payment Date as the absolute owner of the Note (notwithstanding any notice of ownership or other writing on such Note) for the purposes of receiving payment on such Note or on account of such Note and for all other purposes.

The Holders of Definitive Notes shall present directly at the corporate trust office of the Fiscal Agent in New York or the branch office of the Fiscal Agent in Singapore or of any other Transfer Agent, (including, for so long as the Notes are listed on the Luxembourg Stock Exchange, at the offices of the Luxembourg Paying and Transfer Agent) all requests for the registration of any transfer of such Notes, for the exchange of such Notes for one or more new Definitive Notes in the like aggregate principal amount and in authorized denominations and for the replacement of such Notes in cases of mutilation, destruction, loss or theft. Every certificate representing Definitive Notes presented or surrendered for registration of transfer or for exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Fiscal Agent, duly executed by the Holder thereof or his attorney duly authorized in writing. For so long as the Notes are listed on the Luxembourg Stock Exchange, a form of written instrument of transfer shall be available at the offices of the Luxembourg Paying and Transfer Agent. The registration of any transfer of Definitive Notes in the Securities Register is also subject to any reasonable requirements of the Issuer and the Fiscal Agent. Except for the expenses of delivery other than by regular mail, no service charge shall be made for any exchange or registration of transfer, but the Issuer may require payment of a sum sufficient to cover any stamp tax or other governmental charge payable in connection therewith. No registrations of transfers or exchanges of Definitive Notes shall be made of any such Notes that have been called for redemption.

The Fiscal Agency Agreement provides that Definitive Notes will be issued to replace Definitive Notes which have been mutilated, destroyed, stolen or lost upon payment of certain costs associated with such replacement and on certain terms as to evidence and indemnity. In the case of destroyed, stolen or lost Definitive Notes, replacement Definitive Notes will not be issued if either the Issuer or the Fiscal Agent has notice that such Notes have been acquired by a bona fide purchaser. Mutilated Definitive Notes must be surrendered before replacements will be issued. In the event any such mutilated, destroyed, stolen or lost Definitive Note has become or is about to become due and payable, the Issuer in its discretion may, instead of issuing a new Definitive Note, pay or cause to be paid such Note.

All Definitive Notes issued as a result of any partial or whole transfer, exchange or replacement of Notes will be delivered to the Holder at the corporate trust office or branch office of the Fiscal Agent, at the office of the Luxembourg Paying and Transfer Agent or at the office of any such other Transfer Agent as the Issuer may designate from time to time, or (at the risk of the Holder) sent by mail to such address as is specified by the Holder in the Holder's request for transfer, exchange or replacement.

## **Guarantee**

Under the Fiscal Agency Agreement, PETRONAS will unconditionally guarantee the payment of the principal of, and interest on, the Notes when and as the same shall become due and payable, whether on their respective Maturity Dates, upon acceleration, by call for redemption or otherwise. PETRONAS 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 or the Fiscal Agency Agreement. In addition, PETRONAS has expressly waived any right to require either the Fiscal Agent or any Holder 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 obligations contained in the Notes and the Fiscal Agency Agreement. Moreover, if at any time any payment of principal of, or interest on, any Note is rescinded or must otherwise be restored, the rights of the Fiscal Agent or the Holders of the Notes under the Guarantee will be reinstated with respect to such payments as though such payments had not been made.

## **Restrictions on Transfer**

The Notes may not be sold or otherwise transferred except as described above under “—The Global Notes” and “—Definitive Notes” and in accordance with the restrictions described under “Transfer Restrictions.”

## **Special Tax Redemption**

The Notes may be redeemed at the option of the Issuer, in whole but not in part, upon not less than 30 nor more than 60 days’ notice, at any time, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption only if, as a result of (1) any change in or amendment to the laws of Malaysia or Labuan (or of any political subdivision or taxing authority thereof or therein) or any regulations or rulings promulgated thereunder or any change in the official interpretation or official application of such laws, regulations or rulings, or (2) any change in the official application or interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which Malaysia or Labuan (or such political subdivision or taxing authority) is a party, which change, amendment or treaty becomes effective on or after the date of the offering circular,

- (i) the Issuer is or would be required on the next succeeding due date for a payment with respect to the Notes to pay any additional amounts with respect to the Notes as described below under “—Additional Amounts,”
- (ii) PETRONAS is, or on the next interest payment date would be, unable for reasons outside of its control, to procure payment by the Issuer, and with respect to any payment due or to become due under the Guarantee or the Fiscal Agency Agreement, PETRONAS is, or on the next succeeding due date with respect to the Notes would be, required to pay any additional amounts as described below under “—Additional Amounts,” or
- (iii) any payment to the Issuer by PETRONAS or any wholly-owned subsidiary of PETRONAS organized under the laws of Malaysia necessary for the Issuer to make any payment of principal of or interest or additional amounts on the Notes is, or as of the next succeeding due date for payment under the Notes would be, subject to Withholding Taxes (as defined below).

Prior to publication of any notice of redemption of the Notes, the Issuer shall deliver to the Fiscal Agent a certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of redemption have occurred. The Issuer will be bound to redeem the Notes upon the date fixed for redemption.

## **Maturity; Purchase**

Unless previously redeemed, purchased or cancelled as described herein, each Note shall mature on its respective Maturity Date, and on such Maturity Date, the Holder of such Note shall be entitled to a payment equal to the principal amount, of such Note outstanding on such Maturity Date.

The Issuer and PETRONAS may at any time purchase Notes by tender (available to all Holders alike) or in the open market at any price. If the Issuer or PETRONAS 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 Fiscal Agent for cancellation and are cancelled and retired by the Fiscal Agent.

## **Additional Amounts**

All payments of principal and interest by the Issuer or PETRONAS in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Malaysia or Labuan, or any authority therein or thereof having power to tax (collectively, "Withholding Taxes"), unless deduction or withholding of such Withholding Taxes is required by law. In that event, the Issuer or PETRONAS (if the Guarantee were called) will pay such additional amounts as may be necessary in order that the net amounts received by the Holders of the Notes after such withholding or deduction, together with such additional amounts, shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes in the absence of such Withholding Taxes, except that no such additional amounts shall be payable in respect of any Note:

- (i) to or on behalf of a Holder or beneficial owner who is subject to Withholding Taxes by reason of having some connection with Malaysia or Labuan otherwise than by reason only of the holding of, the exercise of any right provided by, the enforcement of any terms of, or the receipt of principal or interest in respect of, any Notes, or
- (ii) to or on behalf of a Holder or beneficial owner who would not be liable for or subject to such Withholding Taxes by complying with any certification, identification or other reporting requirements whether imposed by statute, treaty, regulation or administrative practice concerning nationality, residence or connection with Malaysia or Labuan if such compliance is required as a precondition to relief or exemption from such Withholding Taxes and if, after having been requested to make such certification or identification or comply with such reporting requirements, such Holder or beneficial owner fails to do so, or
- (iii) to or on behalf of a Holder or beneficial owner who presents such Note (where presentation is required) for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the Holder or beneficial owner thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such 30-day period, or
- (iv) any combination of (i), (ii) or (iii) above.

The obligation to pay such 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 on the Notes; provided that, except as otherwise set forth in the Notes and in the Fiscal Agency Agreement, the Issuer (or PETRONAS, 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 Fiscal Agency Agreement or as a consequence of the initial issuance of the Notes.

If the Issuer (or PETRONAS, as applicable) is required to pay additional amounts in respect of Withholding Taxes, it will deliver to the Fiscal Agent at the time of any such payment a statement specifying

the amount of taxes so paid. The Fiscal Agent will make a copy of such documentation available to any Holder or beneficial owner of the Notes upon request.

As used herein, the “Relevant Date” means the date on which such payment first becomes due, except that, if the amount of the monies payable has not been received by the Fiscal Agent in London (in relation to the EUR 2009 Notes) or in New York City (in relation to the USD 2012 Notes or the USD 2022 Notes) on or prior to such date, it means the date on which, the full amount of such monies having been so received, notice to that effect shall have been duly given to the Holders.

Any reference in the Notes to principal or interest shall be deemed also to refer to any additional amounts which may be payable as described above.

### **Further Issues**

The Issuer may from time to time, without notice to or the consent of the Holders, issue further debt securities which will form a single series with any series of the Notes offered hereby. These further debt securities will have the same terms as to status, redemption or otherwise as the Notes and will rank equally with the Notes in all respects, except for the payment of interest accruing prior to the issue date of these further debt securities or except for the first payment of interest following the issue date of these further debt securities.

### **Certain Covenants**

#### ***Negative Pledge***

So long as any of the Notes are outstanding, PETRONAS (not including any of its subsidiaries) will 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 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 the Indebtedness secured by Liens described in clauses (i) through (v) below) plus Attributable Debt (as defined below) of PETRONAS in respect of Sale/Leaseback Transactions as described under clause (x) in “Limitation Upon Sale and Leaseback Transactions” below, would not exceed 10% 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 issue of such series of Notes,
- (ii) any Lien existing on any property or asset prior to the acquisition thereof by PETRONAS 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 PETRONAS, or
- (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.

As used herein, “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.

#### ***Limitation Upon Sale and Leaseback Transactions***

So long as any of the Notes are outstanding, PETRONAS (not including any of its subsidiaries) may not enter into any Sale/Leaseback Transaction (as defined below), unless (x) the Attributable Debt (as defined below) of PETRONAS, in respect of such Sale/Leaseback Transaction and all other Sale/Leaseback Transactions (other than 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 (v) under “Negative Pledge” above), which Liens do not equally and ratably secure the Guarantee, would not exceed 10% of Consolidated Net Tangible Assets, or (y) PETRONAS within 12 months after such Sale/Leaseback Transaction, applies to the retirement of Indebtedness of PETRONAS that is not subordinate to any security issued under the Fiscal Agency Agreement, 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 PETRONAS). The foregoing restriction shall not apply to any transaction between PETRONAS and a subsidiary.

“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 Malaysian GAAP) 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 PETRONAS and its consolidated subsidiaries as set forth on the most recent available audited balance sheet of PETRONAS and its consolidated subsidiaries and computed in accordance with Malaysian GAAP, 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 March 31, 2001.

“Sale/Leaseback Transaction” means any arrangement with any person that provides for the leasing by PETRONAS, for an initial term of three years or more, of any property or other assets, whether now owned or hereafter acquired, which are to be sold or transferred by PETRONAS after the date of issue of such series of Notes to such person for a sale price of US\$1,000,000 (or the equivalent thereof) or more where the rental payments are denominated in a currency other than ringgit.

PETRONAS shall ensure that the Issuer shall at all times remain a wholly-owned subsidiary of PETRONAS. The Issuer shall not carry on any business activity other than acting as a finance subsidiary for PETRONAS.

#### ***Consolidation, Merger and Sale of Assets***

Neither the Issuer nor PETRONAS, without the consent of a majority of Holders of the Notes, may consolidate with, or merge into, or sell, transfer, lease or convey substantially all of its assets to any corporation, unless (i) any successor corporation expressly assumes the obligations of the Issuer or PETRONAS, as the case may be, under the Notes and the Fiscal Agency Agreement, (ii) after giving effect to the transaction, no Event of Default (as defined below) and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing as a result, and (iii) certain other conditions specified in the Fiscal Agency Agreement are satisfied.

## Events of Default

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

- (i) default in the payment of any installment of interest upon any of such Notes as and when the same shall become due and payable, and continuance of such default for a period of 30 days, or
- (ii) default in the payment of all or any part of the principal of any of such Notes as and when the same shall become due and payable, whether at maturity, upon redemption or otherwise, or
- (iii) 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 such Notes or in the Fiscal 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 such Notes 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 Fiscal Agent by the Holders of at least 10% in aggregate principal amount of such Notes at the time outstanding, or
- (iv) failure on the part of PETRONAS duly to observe or perform any other of the covenants or agreements on the part of PETRONAS contained in the Guarantee or in the Fiscal 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 PETRONAS remedy the same, shall have been given by registered or certified mail, return receipt requested, to PETRONAS at the office of the Fiscal Agent by the holders of at least 10% in aggregate principal amount of such Notes at the time outstanding, or
- (v) any indebtedness of the Issuer for borrowed money in the aggregate outstanding principal amount of US\$30,000,000 (or its equivalent in any other currency or currencies) or more either (a) becoming due and payable prior to the due date for payment thereof by reason of acceleration thereof following default by the Issuer or (b) not being repaid at, and remaining unpaid after, maturity as extended by the period of grace applicable thereto, if any, or any guarantee given by the Issuer in respect of indebtedness of any other person in the aggregate outstanding principal amount of US\$30,000,000 (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 under such Notes by reason thereof shall be deemed to have been cured and waived, or
- (vi) any indebtedness of PETRONAS for borrowed money in the aggregate outstanding principal amount of US\$30,000,000 (or its equivalent in any other currency or currencies) or more either (a) becoming due and payable prior to the due date for payment thereof by reason of acceleration thereof following default by PETRONAS or (b) 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 PETRONAS in respect of any indebtedness of any other person in the aggregate outstanding principal amount of US\$30,000,000 (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 under such Notes by reason thereof shall be deemed to have been cured and waived, or
- (vii) the Government of Malaysia ceasing to own and control (directly or indirectly) at least 51% of the issued and outstanding capital stock of PETRONAS, or
- (viii) certain events of bankruptcy or insolvency relating to the Issuer or PETRONAS.

An Event of Default with respect to any series of Notes would not necessarily constitute an Event of Default with respect to any other series of Notes issued under the Fiscal Agency Agreement.

In each such case, the Holders of not less than 25% in aggregate principal amount of such Notes then outstanding, by notice to the Issuer and PETRONAS as provided in the Fiscal Agency Agreement, may declare the principal of all such Notes, and the interest accrued thereon, to be due and payable immediately.

However, such Notes shall not be due and payable immediately if, prior to the time when the Issuer and PETRONAS receives such notice, all Events of Default provided for herein in respect of such Notes shall have been cured. If, at any time after the principal of such Notes shall have been so declared due and payable, and before any judgment or decree for the payment of the monies due shall have been obtained or entered, the Issuer or PETRONAS shall pay or deposit with the Fiscal Agent a sum sufficient to pay all monies then due with respect to such Notes (other than amounts due solely because of such declaration) and cures all other Events of Default with respect to such Notes, then the Holders of more than 50% in aggregate outstanding principal amount of such Notes may waive all defaults and rescind and annul such declaration and its consequences.

#### **Prescription**

Any monies paid by the Issuer or PETRONAS to the Fiscal Agent 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 and shall have been paid to the Fiscal Agent by the Issuer or PETRONAS, shall then be repaid to the Issuer or PETRONAS, and upon such repayment, all liability of the Fiscal Agent with respect to such monies shall thereupon cease and any Holder representing a claim therefor shall thereafter look only to the Issuer or PETRONAS 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.*

#### **Modification, Amendment and Waiver**

Amendments to the Fiscal Agency Agreement may be made, without the consent of Holders of Notes issued under the Fiscal Agency Agreement, for the purpose of adding to the covenants of the Issuer or PETRONAS for the benefit of such Holders, surrendering any right or power conferred upon the Issuer or PETRONAS, securing the Notes pursuant to the requirements of the Notes or otherwise, or curing any ambiguity, or correcting or supplementing any defective provision contained in the Fiscal Agency Agreement, or in regard to such matters or questions arising under the Fiscal Agency Agreement as the Issuer, PETRONAS and the Fiscal Agent may deem necessary or desirable, provided such action shall not adversely affect in any material respect the interests of the Holders of the Notes at the time outstanding. In all other cases, amendment of the Fiscal Agency Agreement will require consent of the Holders.

Modifications and amendments to the Fiscal Agency Agreement or any series of Notes requiring consent of Holders of such Notes may be made, and future compliance therewith or past defaults by the Issuer or PETRONAS may be waived, with the consent of the Issuer, PETRONAS and the Holders of more than 50% in aggregate principal amount of each of the series of such Notes, at the time outstanding, affected by such modification, amendment or waiver or of such lesser percentage as may act at a meeting of Holders; provided that no such modification, amendment or waiver of the Fiscal Agency Agreement or any Note may, without the consent of each Holder affected thereby, (i) change the stated maturity of the principal of or interest on any such Note, (ii) reduce the principal of or interest on any such Note, (iii) change the currency of payment of the principal of or interest on any such Note, (iv) reduce the above-stated percentage of aggregate principal amount of such Notes outstanding or reduce the quorum requirements or the percentage of votes required for the taking of any action, or (v) modify the Guarantee to the extent it would adversely affect such Holder.

#### **Meetings of Holders of the Notes**

The Issuer at any time may, and at any time after any series of Notes shall have become immediately due and payable due to an Event of Default, upon a request in writing made by Holders holding not less than 25% of the aggregate outstanding principal amount of such Notes, the Fiscal Agent shall, convene a meeting of Holders of such Notes. At a meeting of the Holders of such Notes, persons entitled to vote a majority in aggregate principal amount of such Notes, at the time outstanding, shall constitute a quorum. In the absence

of a quorum at any such meeting, the meeting may be adjourned; in the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned; at the reconvening of any meeting further adjourned for lack of a quorum, the persons entitled to vote 25% in aggregate principal amount of such Notes at the time outstanding shall constitute a quorum for the taking of any action set forth in the notice of the original meeting. Any resolution at a meeting of Holders of such Notes to modify or amend, or to waive compliance with, any of the covenants or conditions referred to above (other than those set forth above as requiring the consent of each Holder of a Note, affected thereby) shall be adopted if passed by the lesser of (i) a majority in aggregate principal amount of the Notes then outstanding, or (ii) 75% in aggregate principal amount of the Notes represented and voting at the meeting.

### **Notices**

The Fiscal Agency Agreement provides that notices to Holders of the Notes shall be sufficiently given if in writing and mailed, first-class postage prepaid, to the Holders at each Holder's last address as it appears in the Securities Register and published once in a leading daily newspaper of general circulation in London (which is expected to be the *Financial Times*) and in a leading daily newspaper of general circulation in the United States (which is expected to be *The Wall Street Journal*) or, under certain limited circumstances, in other English language newspapers of general circulation in Europe or the United States. The Issuer has additionally undertaken in the Notes, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, to publish any notices required under the Fiscal Agency Agreement or the Notes or the rules of the Luxembourg Stock Exchange in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Any such Notice shall be deemed to have been given on the later of the date of such publication and the seventh day after being so mailed, as the case may be.

### **Fiscal Agent; Paying Agents; Transfer Agents**

The Fiscal Agent may resign at any time or may be removed by the Issuer or PETRONAS. If the Fiscal Agent resigns, is removed or becomes incapable of acting as Fiscal Agent or if a vacancy occurs in the office of the Fiscal Agent for any reason, a successor fiscal agent will be appointed in accordance with the provisions of the Fiscal Agency Agreement.

The corporate trust office of the Fiscal Agent as of the date hereof is located at 101 Barclay Street, Floor 21W, New York, New York 10286, and the branch office of the Fiscal Agent as of the date hereof is located at One Temasek Avenue #02-01 Millenia Tower, Singapore 039192.

The Paying Agents and Transfer Agents are appointed in accordance with the Fiscal Agency Agreement and, as initially appointed, are set forth on the inside back cover hereof.

So long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange require, the Issuer will maintain a Paying Agent and Transfer Agent in Luxembourg (the "Luxembourg Paying and Transfer Agent") and the Holders of Definitive Notes will be able to receive payments thereon and effect transfers thereof at the offices of the Luxembourg Paying and Transfer Agent. For as long as the Notes are listed on the Luxembourg Stock Exchange, the Issuer will publish any change as to the identity of the Luxembourg Paying and Transfer Agent in a leading daily newspaper in Luxembourg, which is expected to be the *Luxemburger Wort*.

### **Governing Law and Enforceability**

The Fiscal Agency Agreement, the Notes and the Guarantee will be governed by and construed in accordance with the law of the State of New York.

Each of the Issuer and PETRONAS has consented to the jurisdiction of the courts of the State of New York and the United States courts located in The City of New York with respect to any action that may be brought in connection with the Notes and the Guarantee (except actions arising under the United States federal securities laws) and has appointed CT Corporation Systems, 13th Floor, 111 Eighth Avenue, New York, New York 10011, United States of America as agent for service of process.

## TAXATION

### Malaysian Tax Considerations

As PETRONAS Capital Limited is incorporated under the Labuan Offshore Companies Act 1990, payments of interest and principal on the Notes (as well as payments made by PETRONAS under the Guarantee) will be exempt from Malaysian withholding tax, and non-residents of Malaysia will not be required to pay income tax in Malaysia with respect to interest and other payments received in respect of the Notes.

Under Malaysian law, a company is regarded as a “non-resident” if the management and control of its affairs are not exercised in Malaysia at any time by its directors or other controlling authority. The rules regarding the residency status of individuals are complex but are generally based upon the length of time spent in Malaysia.

Malaysia has no estate, inheritance or capital transfer tax in respect of the Notes. In addition, neither the issuance nor transfer of the Notes outside Malaysia will give rise to any capital gains, stamp, issue, registration or similar taxes or duties in Malaysia.

Payments of or in respect of principal and interest on the Notes, and any capital gains realized on the sale or exchange of the Notes, are not subject to the payment of any repatriation levy under Malaysia’s exchange control measures.

### United States Tax Considerations

The following is a summary of certain U.S. federal income tax considerations with respect to the ownership of Notes by a beneficial owner of a Note that is, for U.S. federal income tax purposes (i) a citizen or resident of the United States, (ii) a domestic corporation or (iii) otherwise subject to U.S. federal income tax on a net basis with respect to income from a Note (a “U.S. Holder”). The summary is based on laws, regulations, rulings and decisions now in effect, all of which are subject to change, possibly on a retroactive basis. This summary deals only with Holders that purchased Notes in their initial distribution at their issue price and that hold Notes as capital assets. This summary does not purport to deal with persons subject to special rules, such as financial institutions, insurance companies, dealers in securities or foreign currencies, tax-exempt entities, persons holding Notes as a hedge against, or which are hedged against, currency risks, or persons whose functional currency is not the dollar.

Investors should consult their own tax advisors regarding the tax consequences of holding Notes, including the application to their particular circumstances of the tax considerations discussed below, as well as the application of state, local and other national tax laws.

#### *Taxation of Interest and Additional Amounts*

A U.S. Holder will treat the gross amount of interest and additional amounts, if any (*i.e.*, without reduction for Malaysian withholding taxes), as ordinary interest income with respect to the Notes. Such interest will constitute income from sources without the United States for foreign tax credit purposes and generally will constitute “high withholding tax interest” if withholding tax is imposed on the interest and otherwise will constitute passive income or, in the case of certain holders, financial services income. A U.S. Holder may be entitled to deduct or credit any Malaysian withholding taxes, subject to applicable limitations. Under rules adopted in 1997, foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions or in respect of certain arrangements in which a U.S. Holder’s expected economic profit, after foreign taxes, is insubstantial. The rules governing the foreign tax credit are complex. Investors are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

For payments of interest made with respect to a EUR 2009 Note, the amount of interest income realized by a U.S. Holder that uses the cash method of tax accounting will be the dollar value of the euro payment based on the exchange rate in effect on the date of receipt regardless of whether the payment in fact is

converted into dollars. A U.S. Holder that uses the accrual method of accounting for tax purposes will accrue interest income on the EUR 2009 Note in euros and translate the amount accrued into dollars based on the average exchange rate in effect during the interest accrual period (or portion thereof within the U.S. Holder's taxable year), or, at the accrual basis U.S. 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 U.S. 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. A U.S. 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 EUR 2009 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. 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 EUR 2009 Note.

A Holder of Notes that is, with respect to the United States, a foreign corporation or a nonresident alien individual (a "Non-U.S. Holder") generally will not be subject to U.S. federal income or withholding tax on interest income or additional amounts earned in respect of Notes, unless such income is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States.

#### ***Taxation of the Sale, Exchange or Disposition of a Note***

Upon the sale, exchange or retirement of a Note, a U.S. Holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued interest, which will be taxable as such) and the U.S. Holder's tax basis in such Note. In the case of a EUR 2009 Note, the tax basis of such Note to a U.S. Holder will be the dollar value of the euro purchase price on the date of purchase. The conversion of dollars to euros and the immediate use of the euros to purchase a EUR 2009 Note generally will not result in taxable gain or loss for a U.S. Holder. If a U.S. Holder receives euros in respect of the sale, exchange or retirement of a EUR 2009 Note, the amount realized will be the dollar value of the euros received calculated at the exchange rate in effect on the date the instrument is disposed of or retired.

Except as described below with respect to foreign currency gain or loss, gain or loss recognized by a U.S. Holder generally will be long-term capital gain or loss if the U.S. Holder has held the Note for more than one year at the time of disposition. Long-term capital gain recognized by a non-corporate U.S. Holder generally is subject to taxation at a maximum rate of 20%. The deductibility of capital losses is subject to limitations. Gain or loss realized by a U.S. Holder on the sale, exchange or other disposition of a Note generally will be treated as U.S. source gain or loss.

Gain or loss recognized by a U.S. Holder on the sale, exchange or retirement of a EUR 2009 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 U.S. Holder held such Note. This foreign currency gain or loss will not be treated as an adjustment to interest income received on the Notes.

A Non-U.S. Holder of Notes will not be subject to U.S. federal income or withholding tax on gain realized on the sale or other disposition of Notes unless (i) such gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business in the United States or (ii) in the case of gain realized by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of sale and certain other conditions are met.

#### ***Information Reporting and Backup Withholding***

Interest on the Notes, and payments of the proceeds of a sale of Notes, that are paid within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the holder (i) is a corporation or other exempt recipient or (ii) provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Non-U.S. Holders generally are not subject to U.S. information reporting requirements or U.S.

backup withholding. However, a Non-U.S. Holder may be required to certify as to its non-U.S. status in connection with payments received within the United States or through certain U.S.-related financial intermediaries.

## PLAN OF DISTRIBUTION

The closing of the offering of the Notes was completed on May 22, 2002

Under the terms and conditions contained in a Euro Purchase Agreement dated May 15, 2002 (the “Euro Purchase Agreement”), the managers named below (the “Euro Managers”) have agreed to purchase, and PETRONAS Capital Limited has agreed to sell to them, the principal amount of the Notes set forth opposite to their respective names below at a purchase price of 99.161% of the principal amount thereof:

<u>Euro Managers</u>	<u>Principal Amount of EUR 2009 Notes</u>
Morgan Stanley & Co. International Limited .....	€250,000,000
Barclays Bank PLC .....	250,000,000
The Hongkong and Shanghai Banking Corporation Limited .....	250,000,000
<b>Total.....</b>	<b>€750,000,000</b>

Under the terms and subject to the conditions contained in a U.S. Dollar Purchase Agreement dated May 15, 2002 (“U.S. Dollar Purchase Agreement” and, together with the Euro Purchase Agreement, the “Purchase Agreements”), the managers named below (the “U.S. Dollar Managers” and, together with the Euro Managers, the “Managers”) have agreed to purchase, and PETRONAS Capital Limited has agreed to sell to them, the principal amount of the Notes set forth opposite to their respective names below at a purchase price of 99.387% of the principal amount thereof in respect of the USD 2012 Notes and 98.657% of the principal amount thereof in respect of the USD 2022 Notes:

<u>U.S. Dollar Managers</u>	<u>Principal Amount of USD 2012 Notes</u>	<u>Principal Amount of USD 2022 Notes</u>
Morgan Stanley & Co. Incorporated .....	US\$ 650,000,000	US\$ 375,000,000
Salomon Smith Barney Inc. .....	650,000,000	US\$ 375,000,000
<b>Total .....</b>	<b>US\$1,300,000,000</b>	<b>US\$ 750,000,000</b>

Each of the Purchase Agreements provides that the several obligations of the Managers to pay for and accept delivery of the Notes are subject to approval of certain legal matters by their legal counsel and to certain other conditions. Each Purchase Agreement provides that the Managers are obligated to purchase all of the Notes if any are purchased. Each of the Purchase Agreements also provides that if a Manager defaults, the purchase commitments of non-defaulting Managers may be increased or the offering may be terminated.

The Managers propose to offer the Notes initially at the offering price on the cover page of this Listing Circular. After the initial offering, the offering price may be changed.

### United States

The Notes may be offered and sold in the United States to qualified institutional buyers pursuant to Rule 144A and to institutional “accredited investors” as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act by the Managers (or their affiliates) that are U.S.-registered broker-dealers.

The Notes have not been and will not be registered under the Securities Act or under any applicable 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 to qualified institutional buyers in reliance on Rule 144A under the Securities Act, to a limited number of institutional “accredited investors,” as defined in Rule 501(a)(1), (2), (3), or (7) under the Securities Act and to certain persons in offshore transactions in reliance on Regulation S under the Securities Act. Each of the Managers has agreed that, except as permitted by the Purchase Agreements, it will not offer, sell or deliver the Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each broker/dealer to which it sells the Notes in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on

offers and sales of the 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. Resales of the Notes are restricted as described under “Transfer Restrictions.”

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by a broker/dealer (whether or not it is participating in the offering), may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

### **United Kingdom**

Each of the Managers has agreed that:

- (1) it has not offered or sold and, prior to the date six months after the date of issue of the Notes, will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses, or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended),
- (2) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the “FSMA”) with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom, and
- (3) it has only communicated, or caused to be communicated, and will only communicate or cause to be communicated, any 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 PETRONAS Capital Limited or PETRONAS.

### **Malaysia**

Each of the Managers has agreed that it has not offered or sold and will not offer or sell the Notes (i) in Malaysia, (ii) outside Malaysia with a view to resale in Malaysia or (iii) to residents of Malaysia or offshore entities in Labuan. “Resident” means (a) in relation to a natural person, a citizen or permanent resident of Malaysia, or (b) in relation to any other person, a person who has established a place of business and is operating in Malaysia and includes a person who is deemed to be resident pursuant to Section 43 of the Malaysian Exchange Control Act 1953.

### **Japan**

Each of the Managers has agreed that it has not offered or sold and will not offer or sell, directly or indirectly, in Japan to for the account of any resident of Japan any Notes, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (ii) in compliance with any other applicable requirements of Japanese law.

### **Hong Kong**

Each of the Managers has agreed that:

- (1) 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 to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent, except in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong, and
- (2) it has not issued and will not issue any invitation or advertisement relating to the Notes in Hong Kong (except if permitted to do so by the securities laws of Hong Kong) other than with respect to

Notes intended to be disposed of to persons outside Hong Kong or to be disposed of in Hong Kong only to persons whose business involves the acquisition, disposal, or holding, of securities, whether as principal or as agent.

### **Singapore**

Each of the Managers has agreed that (i) it has not and will not offer or sell any Notes or distribute any document or other material relating to the Notes, either directly or indirectly, to the public or any member of the public in Singapore other than (1) an institutional investor or other person specified in Section 106C of the Companies Act, Chapter 50 of Singapore, (2) to a sophisticated investor, and in accordance with the conditions specified in Section 106D of the Companies Act, Chapter 50 of Singapore or (3) otherwise pursuant to, and in accordance with the conditions of, any other provisions of the Companies Act, Chapter 50 of Singapore, and (ii) a copy of this Listing Circular has been lodged with the Registrar of Companies and Businesses in Singapore as an information memorandum for the purposes of Section 106D of the Companies Act, Chapter 50 of Singapore. The Registrar of Companies and Businesses in Singapore takes no responsibility as to the contents of this document.

### **General**

PETRONAS Capital Limited and PETRONAS have agreed that they will not offer, sell, contract to sell, announce their intention to sell, pledge or otherwise dispose of, directly or indirectly, any dollar or euro denominated debt securities issued by PETRONAS Capital Limited or issued or guaranteed by PETRONAS and having a maturity of more than one year from the date of issue without the prior written consent of the Managers for a period of 90 days after the date of the offering circular.

PETRONAS Capital Limited and PETRONAS have agreed to indemnify the Managers against certain liabilities or to contribute to payments which they may be required to make in respect thereof. These indemnification and contribution provisions also cover certain U.S.-registered broker-dealer affiliates of the Managers that offer and sell the Notes in the United States to qualified institutional buyers pursuant to Rule 144A and to institutional “accredited investors” as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act. PETRONAS Capital Limited and PETRONAS have also agreed to reimburse the Managers for certain expenses.

The Notes are new securities for which there currently is no market. PETRONAS Capital Limited and PETRONAS have been advised by the Managers that they intend to make a market in the Notes as permitted by applicable law. The Managers are not obligated, however, to make a market in the Notes and any such market making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the Notes. Application has been made to list the Notes on the Luxembourg Stock Exchange. PETRONAS Capital Limited and PETRONAS have agreed to use their best efforts to list the Notes on the Luxembourg Stock Exchange. PETRONAS Capital Limited and PETRONAS cannot guarantee the application to the Luxembourg Stock Exchange will be approved. The offering and settlement of the Notes is not conditional on obtaining the listing.

It is expected that delivery of the Notes will be made against payment therefor on or about the Closing Date specified in this Offering Circular, which will be the fifth business day following the date of pricing of the Notes. Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date hereof or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date hereof or the next succeeding business day should consult their own advisor.

The Managers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the Managers. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering

transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Managers to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a covering transaction to cover short positions. Such stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of such transactions. These transactions, if commenced, may be discontinued at any time.

In the ordinary course of their business, certain of the Managers and their affiliates have performed, and may in the future perform, investment banking and/or commercial banking services for PETRONAS.

## TRANSFER RESTRICTIONS

The Notes have not been registered under the Securities Act 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) except to (a) qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A, (b) a limited number of institutional “accredited investors,” as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act and (c) certain persons in offshore transactions in reliance on Regulation S.

Each purchaser of Notes will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) The purchaser (A) (i) is a qualified institutional buyer, (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring such Notes for its own account or for the account of a qualified institutional buyer, (B)(i) is an institutional “accredited investor,” as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act and (ii) is concurrently with its purchase executing and delivering the purchaser’s letter hereinafter described, or (C) is not a U.S. person and is purchasing such Notes in an offshore transaction pursuant to Regulation S.

(2) The purchaser understands that the Notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that the Notes have not been and will not be registered under the Securities Act and that (A) if in the future it decides to offer, resell, pledge or otherwise transfer any of the Notes, such Notes may be offered, resold, pledged or otherwise transferred only (i) in the United States to a person whom the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) outside the United States in a transaction complying with the provisions of Rule 904 under the Securities Act, (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available) or (iv) pursuant to an effective registration statement under the Securities Act, in each of cases (i) through (iv) in accordance with any applicable securities laws of any State of the United States, and that (B) the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of such Notes from it of the resale restrictions referred to in (A) above.

(3) The purchaser understands that the Notes will, until the expiration of the applicable holding period with respect to the Notes set forth in Rule 144(k) of the Securities Act, unless otherwise agreed by PETRONAS and the holder thereof, bear a legend substantially to the following effect:

THIS SECURITY (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE “SECURITIES ACT”), AND THIS SECURITY MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS SECURITY IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS SECURITY AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) THIS SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT, (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (IV) PURSUANT TO AN EFFECTIVE REGISTRATION

STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (IV) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

Each purchaser of the Notes that is an institutional “accredited investor” but is not a qualified institutional buyer must execute and deliver a purchaser’s letter for the benefit of the Managers and PETRONAS, substantially in the form of Annex A hereto, whereby such institutional “accredited investor” (a) agrees to the restrictions on transfer set forth in clause (2) above, (b) confirms that it is (i) acquiring Notes having a minimum purchase price of not less than €250,000 in the case of the EUR 2009 Notes or US\$250,000 in the case of the USD 2012 Notes or the USD 2022 Notes for its own account or for any separate account for which it is acting; (ii) acquiring such Notes for its own account or for certain qualified institutional accounts, as specified therein; and (iii) not acquiring the Notes with a view to distribution thereof or with any present intention of offering or selling any of the Notes, except in accordance with Rule 144A under the Securities Act or in accordance with Rule 904 under the Securities Act, and (c) acknowledges that the registrar and transfer agent for the Notes will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to PETRONAS, the Issuer and the transfer agent that the restrictions on transfer set forth in clause (2) above have been complied with, and that any such Notes will be in the form of definitive physical certificates bearing the legend set forth in clause (3) above and the following additional legend:

IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

Consequently, such accredited investor may not have its Notes represented by a global certificate. See “Description of the Notes—The Global Notes.”

#### **VALIDITY OF THE NOTES**

The validity of the Notes will be passed upon for PETRONAS and PETRONAS Capital Limited by Cleary, Gottlieb, Steen & Hamilton, U.S. counsel for PETRONAS and PETRONAS Capital Limited, and by the Senior General Manager, Legal and Corporate Affairs Division of PETRONAS, and for the Managers by Milbank, Tweed, Hadley & McCloy LLP, U.S. counsel for the Managers, and by SK Yeoh & Partners, Malaysian counsel for the Managers. Cleary, Gottlieb, Steen & Hamilton may rely as to all matters of Malaysian law on the Senior General Manager, Legal and Corporate Affairs Division of PETRONAS. The Senior General Manager, Legal and Corporate Affairs Division of PETRONAS may rely upon Cleary, Gottlieb, Steen & Hamilton as to all matters of New York law. Milbank, Tweed, Hadley & McCloy LLP may rely as to all matters of Malaysian law on SK Yeoh & Partners.

#### **INDEPENDENT ACCOUNTANTS**

The financial statements and accompanying notes to the financial statements of PETRONAS included in this Listing Circular have been audited by KPMG Desa Megat & Co., chartered accountants, to the extent and for the periods indicated in their report thereon. Such financial statements have been included in reliance upon the reports of KPMG Desa Megat & Co.

## GENERAL INFORMATION

1. The Notes have been accepted for clearance through the facilities of the DTC, Euroclear and Clearstream. Certain information about the Notes is set forth below:

	<u>CUSIP number</u>	<u>ISIN number</u>	<u>Common Code number</u>
EUR 2009 Unrestricted Global Notes.....	N/A	XS0148311854	014831185
EUR 2009 Restricted Global Notes .....	N/A	XS0148312662	014831266
USD 2012 Unrestricted Global Notes.....	Y68856AA4	USY68856AA47	014831312
USD 2012 Restricted Global Notes .....	716743AA7	US716743AA76	014831347
USD 2022 Unrestricted Global Notes.....	Y68856AB2	USY68856AB20	014831355
USD 2022 Restricted Global Notes .....	716743AB5	US716743AB59	014831363

2. Application has been made to list the Notes on the Luxembourg Stock Exchange by PETRONAS Capital Limited and PETRONAS through their listing agent, Dexia Banque Internationale à Luxembourg. PETRONAS Capital Limited and PETRONAS have agreed to use their best efforts to list the Notes on the Luxembourg Stock Exchange. The legal notice relating to the issue of the Notes and the Articles of Association of PETRONAS Capital Limited and PETRONAS will be registered prior to the listing with the Registrar of the District Court in Luxembourg (*Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg*), where such documents are available for inspection and where copies thereof can be obtained upon request. As long as the Notes are listed on the Luxembourg Stock Exchange, PETRONAS Capital Limited and PETRONAS will maintain a paying and transfer agent in Luxembourg, which initially will be Dexia Banque Internationale à Luxembourg.

3. Each of PETRONAS Capital Limited and PETRONAS has obtained or will obtain prior to the delivery of the Notes all necessary consents, approvals and authorizations in connection with the issue and performance of the Notes and the Guarantee except as disclosed in this Listing Circular. The issue of the Notes was authorized by resolutions adopted by the Board of Directors of PETRONAS Capital Limited on May 3, 2002. The Guarantee was authorized by resolutions adopted by the Board of Directors of PETRONAS on April 30, 2002.

4. Except as disclosed in this Listing Circular, there has been no material adverse change in the financial position or prospects of PETRONAS since March 31, 2001. Except as disclosed in this Listing Circular, there has been no material adverse change in the financial position or prospects of PETRONAS Capital Limited since its date of incorporation.

5. To the knowledge of management of PETRONAS, as of the date of this Listing Circular neither PETRONAS nor PETRONAS Capital Limited is involved in any litigation, actual or pending, relating to claims or amounts which are material in the context of the issue of the Notes.

6. Copies of the Articles of Association of PETRONAS Capital Limited and of PETRONAS and copies of the Fiscal Agency Agreement and the Purchase Agreements will, for so long as the Notes are listed on the Luxembourg Stock Exchange, be available for inspection during usual business hours on any weekday (except public holidays) at the office of PETRONAS Capital Limited's paying and transfer agent in Luxembourg. As long as any of the Notes remain outstanding, copies of PETRONAS' annual report in English containing the audited consolidated financial statements and, for so long as PETRONAS includes them therein, the audited unconsolidated financial statements, will be delivered to and be obtainable from the specified offices of PETRONAS Capital Limited's paying and transfer agent in Luxembourg. PETRONAS does not publish full interim financial statements, but does currently issue unaudited summary information regarding its semi-annual fiscal period. For so long as PETRONAS issues such unaudited summary financial information, copies of such statements in English will be delivered to and be obtainable from the specified offices of PETRONAS Capital Limited's paying and transfer agent in Luxembourg. Since the date of its incorporation, PETRONAS Capital Limited has not prepared any audited or unaudited financial statements. PETRONAS Capital Limited does not plan to publish financial statements in the future.

7. The registered office of PETRONAS is Tower 1, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia. The registered office of PETRONAS Capital Limited is Unit Level 13(E), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Labuan Federal Territory, Malaysia.

## **SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN MALAYSIAN GAAP AND U.S. GAAP**

The financial statements of PETRONAS have been prepared in accordance with Malaysian GAAP, which differs in certain significant respects from U.S. GAAP. Malaysian GAAP generally follows International Accounting Standards. A summary of the differences that may have a significant effect on profit attributable to shareholders or shareholders' equity is set out below. Management has not quantified the effects of the differences between Malaysian GAAP and U.S. GAAP. This summary should not be taken as exhaustive. Additionally, no attempt has been made to identify all future differences between Malaysian GAAP and U.S. GAAP as a result of prescribed changes in financial accounting standards that may affect the financial statements as a result of transactions or for events that may occur in the future.

### **Consolidation**

Malaysian GAAP requires that where consolidated financial statements are prepared, a company is required to consolidate all entities that it controls, and the non-ownership interest is reflected as minority interest. A company is considered a subsidiary if its parent controls the composition of its board of directors, controls more than half of the company's voting power or holds more than half of its issued share capital. Additionally, a company may include in its consolidated financial statements its proportional interest in oil and gas interests. Beginning in the financial year ended March 31, 2001, a company is considered a subsidiary if it is controlled by the parent. Control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

U.S. GAAP generally requires consolidation of all majority-owned (greater than 50%) subsidiaries and allows the consolidation of a proportional interest in oil and gas interests similar to Malaysian GAAP. However, U.S. GAAP does not permit the consolidation of majority-owned entities where an entity does not exercise operating control over the subsidiary due to the existence of certain approval or veto rights held by the minority owners.

### **Goodwill**

Malaysian GAAP permits goodwill or reserve (negative goodwill) on consolidation that represents the excess or deficit on the date of acquisition between the consideration paid for shares and the fair values attributable to the net assets acquired of a subsidiary to be set off against shareholders' equity and the resulting goodwill/reserve is carried forward. Additionally, under Malaysian GAAP, the difference between the cost of an equity method investee and the ownership interest in the underlying net asset of the equity method investee is not amortized or accreted.

U.S. GAAP requires goodwill and negative goodwill attributable to both acquired subsidiaries and significant investees to be amortized over their estimated economic lives not to exceed 40 years. Goodwill recorded in a purchase method business combination consummated after June 30, 2001 is not amortized, but is tested for impairment annually. Goodwill recorded in a purchase method business combination consummated on or prior to June 30, 2001 will no longer be amortized under U.S. GAAP upon full adoption of the Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets," which is effective for fiscal years beginning after December 15, 2001.

### **Accounting for Acquisition of Controlling Interest in Non-Monetary Exchange**

Under Malaysian GAAP, the exchange of non-monetary assets for a controlling interest in a subsidiary in 1999 was reflected at its deemed fair value and the gain arising from the sale at the PETRONAS level was eliminated against the merger deficit arising at the newly acquired subsidiary level upon consolidation.

Under U.S. GAAP, the exchange of non-monetary assets for a controlling interest in a subsidiary would be reflected as a partial sale (to the minority shareholders of the subsidiary), and gain recognition, if permitted, would be limited to the portion of the assets treated as sold.

## **Investments in Debt and Equity Securities**

Malaysian GAAP requires quoted shares and securities held as current assets to be stated at the lower of cost and market value. Investments held for long-term purposes are stated at cost less any provision for permanent diminution in value.

Under U.S. GAAP, Statement of Financial Accounting Standards (“SFAS”) No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for investments in debt securities. Those investments are classified in three categories and accounted for as follows:

- (i) Held-to-Maturity. Debt securities that an entity has the positive intent and ability to hold to maturity are reported at amortized cost whereby any discounts or premiums are amortized to income over the term of the security.
- (ii) Trading. Debt and equity securities that are bought and held for the purpose of selling in the near term are reported at fair value with the unrealized gain or loss included in income for each reporting period.
- (iii) Available-for-Sale. Debt and equity securities not classified as either trading or held-to-maturity securities are reported at fair value with the unrealized gains and losses excluded from income and reported as a separate component of other comprehensive income until realized.

## **Revaluation of Land and Buildings**

Malaysian GAAP allows the periodic revaluation of land and buildings. Under U.S. GAAP, such revaluations are not permitted.

## **Impairment of Long-Lived Assets**

Malaysian GAAP assesses at each balance sheet date the value of its oil and gas properties based on the undiscounted future cash flows on each field to determine whether there is any indication of impairment. Cash flows from proved reserves are compared against the carrying value of capitalized acquisition cost, whereas cash flows from proved developed reserves are compared against the carrying value of capitalized exploration and development costs. The carrying amount of other property, plant and equipment are also assessed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognized whenever the carrying amount of these assets exceeds their recoverable amount. In determining recoverable amount, expected future cash flows are not discounted to their present values.

Under U.S. GAAP, SFAS No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of,” requires the recognition and measurement of impairment of long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used. This accounting standard requires that when impairment is indicated for long-lived assets, the carrying amount of such assets should be evaluated based on the lowest asset grouping for which there are identifiable cash flows. If the expected future net cash flows from operating those assets (undiscounted and before interest charges) are less than their carrying amount, an impairment write-down to fair value is required. The discounted expected future net cash flows of the impaired assets may be used as a measure of fair value. Additionally, SFAS No. 121 requires the reporting of long-lived assets and certain identifiable intangible assets to be disposed of at the lower of the carrying amount or fair value less costs to sell.

## **Expenditures Carried Forward**

Under Malaysian GAAP, prior to the financial year ended March 31, 2001, preliminary and pre-operating expenses may be capitalized. Preliminary expenses are written off in the first year of operations while pre-operating expenses are written off over a period of five years commencing with the first full year of operation. Beginning in the financial year ended March 31, 2001, pre-operating expenses are required to be written off as

incurred and the remaining balance of pre-operating expenses at March 31, 2000 were written off during the financial year ended March 31, 2001.

U.S. GAAP requires such expenses to be written off when incurred.

#### **Deferred Tax**

Malaysian GAAP requires that deferred tax be provided for based upon timing differences, using the liability method, between the accounting and tax treatment of income and expenditure. A provision for deferred tax is made in respect of all material timing differences except where it is reasonably expected that the tax effect of such deferral will continue in the foreseeable future and there are no indications they will reverse thereafter. Deferred tax benefits are only recognized where there is reasonable expectation of realization in the near future.

Under U.S. GAAP, SFAS No. 109, "Accounting for Income Taxes," requires deferred tax liabilities and assets to be recognized for all estimated future tax effects attributable to temporary differences. For deferred tax assets, a valuation allowance is established if it is "more likely than not" that such deferred tax assets will not be realized.

#### **Pension Costs**

Malaysian GAAP requires a charge for the cost of providing pensions for eligible employees during the year, as well as an actuarial valuation at least once every three years.

Under U.S. GAAP, SFAS No. 87, "Employers' Accounting for Pensions," provides for a much more narrow choice of valuation methods. In addition, U.S. GAAP requires more detailed disclosure than Malaysian GAAP. Depending on the method chosen under Malaysian GAAP, it is possible that a valuation under U.S. GAAP could result in different amounts being recognized as the annual pension expense.

#### **Zero Coupon Debt Securities with Detachable Warrants**

Under U.S. GAAP, Accounting Principles Board Opinion No. 14, "Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants," detachable warrants are required to be stated at fair value in shareholders' equity and interest would be imputed on the zero coupon debt securities based on the relative fair value of the two securities at the time of issuance. Such imputed interest would be recognized over the expected life of the debt.

Malaysian GAAP has no such requirement.

#### **Proposed Dividend**

Under Malaysian GAAP, proposed dividends on ordinary shares, as recommended by the board of directors at the time of board approval of the financial statements, are deducted from shareholders' equity and shown as a liability in the balance sheet at the end of the period to which they relate. Under U.S. GAAP, dividends are recorded in the period in which they are declared.

#### **Capitalization of Borrowing Costs**

Under Malaysian GAAP, PETRONAS capitalizes net interest costs to the extent the related borrowings are directly attributable to the acquisition or construction of certain assets which necessarily take a substantial period of time to get ready for their intended use. Additional amounts may be capitalized based on the weighted average interest rate applicable to other borrowings of PETRONAS (net of interest earned on unutilized amounts) if the average of accumulated expenditures exceed directly attributable borrowings. Additionally, foreign exchange losses may be capitalized to the extent that they are regarded as an adjustment to interest costs.

Under U.S. GAAP, interest costs capitalized are determined based on specific borrowings related to the acquisition or construction of an asset, if an entity's financing plans associate a specific new borrowing with a

qualifying asset. If average accumulated expenditures for all qualifying assets exceed the amounts of specified new borrowings, additional interest costs capitalized are based on the weighted average interest rate applicable to other borrowings of the entity. Foreign currency translation gains and losses are not capitalized as borrowing costs.

### **Foreign Currency Translation**

Under Malaysian GAAP, prior to 1998, PETRONAS recognized all foreign currency translation gains and losses as incurred. Beginning in 1998, PETRONAS recognizes foreign currency translation gains and losses on short-term assets and liabilities as incurred and defers amounts of foreign currency translation gains on long-term assets and liabilities, which are amortized evenly over the estimated remaining lives of the associated assets and liabilities, except if it is reasonable to expect that recurring foreign currency translation gains and losses will arise in the future.

Under U.S. GAAP, the effects of translating balances denominated in foreign currencies, including long-term assets and liabilities, are recognized in the results of operations.

### **Exceptional Items**

Malaysian GAAP allows certain large and/or unusual items to be classified as “Exceptional Items” in the results of operations. Under U.S. GAAP, there is no such classification.

### **Cash Flow Statements**

The objectives and principles of the statement of cash flows under Malaysian GAAP are similar to those set out in SFAS No. 95, “Statement of Cash Flows.” However, SFAS No. 95 defines cash and cash equivalents as cash and investments with original maturities of three months or less. Under Malaysian GAAP, PETRONAS uses a definition of cash and cash equivalents that is less restrictive and includes other investments that may be converted to cash within a short period of time.

### **Supplementary Oil and Gas Disclosures**

Under U.S. GAAP, SFAS No. 69, “Disclosures about Oil and Gas Producing Activities,” a publicly traded enterprise with significant oil and gas producing activities is required to disclose in the form of supplementary information the following unaudited information:

- (i) proved oil and gas quantities,
- (ii) costs incurred in property acquisition, exploration and development activities,
- (iii) results of operations for oil and gas producing activities, and
- (iv) a standardized measure of discounted future net cash flows relating to proved oil and gas reserves quantities.

Currently, there is no equivalent accounting standard under Malaysian GAAP.

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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. The consolidated financial statements are expressed in ringgit and, solely for the convenience of the reader, March 31, 2001 numbers have been translated into dollars at the rate of RM3.80 per US\$1.00. This translation should not be construed as a representation that any or all of the amounts shown could be converted into dollars at this or any other rate.*

## INDEPENDENT AUDITORS' REPORT

### **The Shareholders PETROLIAM NASIONAL BERHAD (PETRONAS)**

We have audited the accompanying consolidated balance sheets of Petroliam Nasional Berhad ("the Company") and its subsidiaries as of March 31, 2000 and 2001, and the consolidated income statements, consolidated statements of recognized gains and losses and consolidated cash flow statements for each of the years ended March 31, 1999, 2000 and 2001, and the accompanying unconsolidated (Company) balance sheets as of March 31, 2000 and 2001, and the related unconsolidated (Company) income statements, statements of recognized gains and losses and cash flow statements for each of the years ended March 31, 1999, 2000 and 2001. The preparation of these financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audits.

We conduct our audits in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above give a true and fair view of the consolidated financial position of Petroliam Nasional Berhad and its subsidiaries as of March 31, 2000 and 2001 and the consolidated results of their operations and their consolidated cash flows for each of the years ended March 31, 1999, 2000 and 2001 and the unconsolidated (Company) financial position as of March 31, 2000 and 2001 and the unconsolidated (Company) results of operations and cash flows for each of the years ended March 31, 1999, 2000 and 2001, and comply with the Malaysian Companies Act 1965.

The accompanying consolidated financial statements as of and for the year ended March 31, 2001 have been translated into United States Dollars solely for the convenience of the reader. We have audited the translation and in our opinion, the consolidated financial statements expressed in Ringgit Malaysia have been translated on the basis set forth in Note 1.2 of the Notes to the Financial Statements.

KPMG DESA MEGAT & CO.

Kuala Lumpur, Malaysia

Date: June 11, 2001

**PETROLIAM NASIONAL BERHAD**  
**AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS AT MARCH 31, 2000 AND 2001**  
(in millions)

	<u>Note</u>	<u>2000</u> RM	<u>2001</u> RM	<u>2001</u> US\$
<b>Assets</b>				
<b>Current Assets</b>				
Inventories .....	2	2,033	2,171	571
Trade receivables .....	3	6,361	7,971	2,098
Other receivables .....	4	3,959	5,072	1,335
Amount due from associates .....	6	529	321	84
Term loans re-lent to associates .....	7	13	49	13
Fund investments .....	8	5,166	5,045	1,328
Other investments .....	9	7,085	8,403	2,211
Cash and cash equivalents .....	10	<u>25,710</u>	<u>30,887</u>	<u>8,128</u>
<b>Total Current Assets</b> .....		<b>50,856</b>	<b>59,919</b>	<b>15,768</b>
Property, plant and equipment .....	11	43,662	48,578	12,784
Expenditure carried forward .....	12	59	—	—
Construction-in-progress .....	13	17,093	17,577	4,626
Investment in associates .....	15	5,406	6,517	1,715
Other investments .....	9	403	773	203
Long-term receivables .....	7	<u>4,092</u>	<u>5,676</u>	<u>1,494</u>
		<u><u>121,571</u></u>	<u><u>139,040</u></u>	<u><u>36,590</u></u>
<b>Liabilities and Shareholders' Equity</b>				
<b>Current Liabilities</b>				
Trade payables .....		2,335	3,610	950
Other payables .....		8,996	10,071	2,650
Amount due to associates .....	6	21	25	7
Short-term borrowings .....	16	18	55	15
Murabahah Note Issuance Facilities .....	17	206	161	42
Term loans .....	18	2,336	5,480	1,442
Islamic Debt Facilities .....	19	804	58	15
Dividend payable .....		2,480	2,480	653
Provision for taxation .....		7,028	9,468	2,492
Proposed dividend .....		<u>4,100</u>	<u>4,100</u>	<u>1,079</u>
<b>Total Current Liabilities</b> .....		<b>28,324</b>	<b>35,508</b>	<b>9,345</b>
Murabahah Note Issuance Facilities .....	17	1,100	1,205	317
Term loans .....	18	38,058	32,305	8,501
Islamic Debt Facilities .....	19	571	1,355	357
Other long-term liabilities and provisions .....	20	3,509	3,761	990
<b>Shareholders' Equity</b>				
Share capital .....	21	100	100	26
Reserves .....	22	<u>40,159</u>	<u>53,834</u>	<u>14,167</u>
		<u>40,259</u>	<u>53,934</u>	<u>14,193</u>
Minority interests .....	23	<u>9,750</u>	<u>10,972</u>	<u>2,887</u>
<b>Total Liabilities and Shareholders' Equity</b> .....		<b><u>121,571</u></b>	<b><u>139,040</u></b>	<b><u>36,590</u></b>

See accompanying Notes to the financial statements.

**PETROLIAM NASIONAL BERHAD**  
**AND ITS SUBSIDIARIES**  
**CONSOLIDATED INCOME STATEMENTS FOR EACH OF**  
**THE THREE YEARS ENDED MARCH 31, 1999, 2000 AND 2001**  
**(in millions)**

	<u>Note</u>	<u>1999</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2001</u> US\$
Revenue .....	24	<u>42,306</u>	<u>60,628</u>	<u>73,351</u>	<u>19,303</u>
Operating profit .....	24	13,946	24,143	31,794	8,367
Financing costs .....	27	(2,071)	(2,498)	(2,928)	(771)
Share of (loss)/profit of associates .....		<u>(31)</u>	<u>(34)</u>	<u>163</u>	<u>43</u>
Profit before taxation .....		11,844	21,611	29,029	7,639
Tax expense .....	28	<u>(3,563)</u>	<u>(6,981)</u>	<u>(10,297)</u>	<u>(2,710)</u>
Profit after taxation but before minority interest .....		8,281	14,630	18,732	4,929
Minority interests' share of subsidiaries' profit.....		(1,139)	(2,026)	(2,244)	(591)
Pre-acquisition profit .....		<u>(334)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net profit for the year .....	22	<u>6,808</u>	<u>12,604</u>	<u>16,488</u>	<u>4,338</u>

See accompanying Notes to the financial statements.

**PETROLIAM NASIONAL BERHAD**  
**AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF RECOGNIZED GAINS**  
**AND LOSSES FOR EACH OF THE THREE YEARS ENDED**  
**MARCH 31, 1999, 2000 AND 2001**  
**(in millions)**

	<u>Note</u>	<u>1999</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2001</u> US\$
Reserve/(goodwill) on consolidation .....	22	161	(159)	(47)	(12)
Exchange differences on translation of the financial statements of foreign entities.....	22	(21)	(166)	(516)	(136)
Unrealized gains/(losses) on translation of long-term assets and liabilities .....	22	<u>498</u>	<u>(509)</u>	<u>686</u>	<u>181</u>
Net gains/(losses) not recognized in the income statement ...		638	(834)	123	33
Net profit for the year .....	22	<u>6,808</u>	<u>12,604</u>	<u>16,488</u>	<u>4,338</u>
Total recognizable gains for the year .....		<u><u>7,446</u></u>	<u><u>11,770</u></u>	<u><u>16,611</u></u>	<u><u>4,371</u></u>

See accompanying Notes to the financial statements.

**PETROLIAM NASIONAL BERHAD**  
**AND ITS SUBSIDIARIES**

**CONSOLIDATED CASH FLOW STATEMENTS FOR EACH  
 OF THE THREE YEARS ENDED MARCH 31, 1999, 2000 AND 2001**  
**(in millions)**

	<u>Note</u>	<u>1999</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2001</u> US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers .....		42,080	57,574	71,391	18,787
Cash paid to suppliers and employees .....		<u>(25,483)</u>	<u>(32,066)</u>	<u>(37,061)</u>	<u>(9,753)</u>
		16,597	25,508	34,330	9,034
Interest income from fund investments .....		2,889	2,387	2,573	677
Interest expenses paid .....		<u>(2,181)</u>	<u>(2,606)</u>	<u>(3,010)</u>	<u>(792)</u>
Taxation paid .....		<u>(4,616)</u>	<u>(4,433)</u>	<u>(7,753)</u>	<u>(2,040)</u>
<b>Net cash generated from operating activities</b> .....		<u>12,689</u>	<u>20,856</u>	<u>26,140</u>	<u>6,879</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisition of subsidiaries, net of cash acquired .....	30	(426)	(276)	2	—
Acquisition of additional shares in subsidiaries .....		(22)	(645)	(249)	(66)
Purchase of property, plant and equipment .....		<u>(11,296)</u>	<u>(11,712)</u>	<u>(11,634)</u>	<u>(3,062)</u>
Proceeds from sale of property, plant and equipment .....		415	266	751	198
Dividends received .....		11	6	50	13
Expenditure carried forward .....		(16)	(18)	—	—
Investment in shares and securities .....		<u>(3,673)</u>	<u>(5,613)</u>	<u>(7,294)</u>	<u>(1,919)</u>
Proceeds from sale of shares and securities .....		1,483	581	5,853	1,540
Proceeds from disposal of partial shareholdings in subsidiaries .....		—	39	258	68
Investment in associates .....		<u>(811)</u>	<u>(1,977)</u>	<u>(1,368)</u>	<u>(360)</u>
Proceeds from disposal of investment in an associate .....		—	—	139	37
<b>Net cash used in investing activities</b> .....		<u>(14,335)</u>	<u>(19,349)</u>	<u>(13,492)</u>	<u>(3,551)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from shares issued to minority shareholders by subsidiaries .....		361	391	218	57
Drawdown of Islamic Debt Facilities .....		836	2,500	1,467	386
Repayment of Islamic Debt Facilities .....		(530)	(1,533)	(1,370)	(361)
Drawdown of term loans .....		2,116	6,378	2,609	687
Repayment of term loans .....		(1,075)	(1,373)	(3,444)	(906)
Dividends paid .....		(3,100)	(4,100)	(4,100)	(1,079)
Dividends paid to minority shareholders of subsidiaries .....		(586)	(790)	(1,311)	(345)
Redemption of preference shares by minority shareholders of a subsidiary .....		—	(240)	(120)	(31)
Long-term receivables .....		<u>(1,066)</u>	<u>(1,055)</u>	<u>(1,420)</u>	<u>(374)</u>
<b>Net cash (used in)/generated from financing activities</b> .....		<u>(3,044)</u>	<u>178</u>	<u>(7,471)</u>	<u>(1,966)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b> .....		<u>(4,690)</u>	<u>1,685</u>	<u>5,177</u>	<u>1,362</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b> .....		<u>28,715</u>	<u>24,025</u>	<u>25,710</u>	<u>6,766</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b> .....		<u>24,025</u>	<u>25,710</u>	<u>30,887</u>	<u>8,128</u>
<b>CASH AND CASH EQUIVALENTS (Note 10)</b>					
Cash and bank balances .....		442	422	677	178
Deposits .....		<u>23,583</u>	<u>25,288</u>	<u>30,210</u>	<u>7,950</u>
		<u>24,025</u>	<u>25,710</u>	<u>30,887</u>	<u>8,128</u>

See accompanying Notes to the financial statements.

**PETROLIAM NASIONAL BERHAD**  
**UNCONSOLIDATED (COMPANY) BALANCE SHEETS**  
**AT MARCH 31, 2000 AND 2001**  
(in millions)

	<u>Note</u>	<u>2000</u> RM	<u>2001</u> RM
<b>Assets</b>			
<b>Current Assets</b>			
Inventories .....	2	20	36
Trade receivables .....	3	1,671	1,628
Other receivables .....	4	1,811	2,174
Amount due from subsidiaries .....	5	4,874	5,915
Amount due from associates .....	6	397	280
Term loans re-lent to subsidiaries .....	7	423	2,759
Term loans re-lent to associates .....	7	13	49
Fund investments .....	8	4,926	4,605
Other investments .....	9	3,001	3,375
Cash and cash equivalents .....	10	<u>10,433</u>	<u>19,173</u>
<b>Total Current Assets</b> .....		<b>27,569</b>	<b>39,994</b>
Property, plant and equipment .....	11	1,392	1,455
Construction-in-progress .....	13	229	255
Investment in subsidiaries .....	14	10,780	10,863
Investment in associates .....	15	4,323	5,497
Other investments .....	9	43	43
Long-term receivables .....	7	<u>29,872</u>	<u>26,005</u>
		<u>74,208</u>	<u>84,112</u>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Trade payables .....		234	248
Other payables .....		4,865	5,837
Amount due to subsidiaries .....	6	172	121
Amount due to associates .....	6	—	21
Term loans .....	18	434	2,976
Dividend payable .....		2,480	2,480
Provision for taxation .....		4,365	5,857
Proposed dividend .....		<u>4,100</u>	<u>4,100</u>
<b>Total Current Liabilities</b> .....		<b>16,650</b>	<b>21,640</b>
Term loans .....	18	24,619	21,945
Other long-term liabilities and provisions .....	20	879	912
<b>Shareholders' Equity</b>			
Share capital .....		100	100
Reserves .....		<u>31,960</u>	<u>39,515</u>
		<u>32,060</u>	<u>39,615</u>
<b>Total Liabilities and Shareholders' Equity</b> .....		<b><u>74,208</u></b>	<b><u>84,112</u></b>

See accompanying Notes to the financial statements.

**PETROLIAM NASIONAL BERHAD**  
**UNCONSOLIDATED (COMPANY) INCOME STATEMENTS**  
**FOR EACH OF THE THREE YEARS ENDED**  
**MARCH 31, 1999, 2000 AND 2001**  
**(in millions)**

	<u>Note</u>	<u>1999</u> <u>RM</u>	<u>2000</u> <u>RM</u>	<u>2001</u> <u>RM</u>
<b>Revenue</b> .....	24	<u>19,620</u>	<u>28,362</u>	<u>36,965</u>
Operating profit .....	24	10,913	14,173	18,641
Financing costs .....	27	(521)	(520)	(649)
Profit before taxation .....		10,392	13,653	17,992
Tax expense .....	28	(3,021)	(4,009)	(6,748)
Net profit for the year .....	22	<u>7,371</u>	<u>9,644</u>	<u>11,244</u>

See accompanying Notes to the financial statements.

**PETROLIAM NASIONAL BERHAD**  
**UNCONSOLIDATED (COMPANY) STATEMENTS OF RECOGNIZED**  
**GAINS AND LOSSES FOR EACH OF THE THREE YEARS ENDED**  
**MARCH 31, 1999, 2000 AND 2001**  
**(in millions)**

	<u>Note</u>	<u>1999</u> RM	<u>2000</u> RM	<u>2001</u> RM
Unrealized gains/(losses) on translation of long-term assets and liabilities .....	22	63	(135)	273
Net gains/(losses) not recognized in the income statement .....		63	(135)	273
Net profit for the year .....	22	<u>7,371</u>	<u>9,644</u>	<u>11,244</u>
Total recognizable gains for the year .....		<u>7,434</u>	<u>9,509</u>	<u>11,517</u>

See accompanying Notes to the financial statements.

**PETROLIAM NASIONAL BERHAD**  
**UNCONSOLIDATED (COMPANY) CASH FLOW STATEMENTS**  
**FOR EACH OF THE THREE YEARS ENDED**  
**MARCH 31, 1999, 2000 AND 2001**  
**(in millions)**

	<b>1999</b> <b>RM</b>	<b>2000</b> <b>RM</b>	<b>2001</b> <b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers .....	16,095	23,624	32,418
Cash paid to suppliers and employees .....	<u>(8,967)</u>	<u>(16,774)</u>	<u>(20,567)</u>
	7,128	6,850	11,851
Interest income from fund investments .....	2,114	1,191	1,195
Interest expenses paid .....	<u>(506)</u>	<u>(513)</u>	<u>(683)</u>
Taxation paid .....	<u>(3,073)</u>	<u>(2,860)</u>	<u>(4,693)</u>
<b>Net cash generated from operating activities</b> .....	<b><u>5,663</u></b>	<b><u>4,668</u></b>	<b><u>7,670</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment .....	(884)	(335)	(358)
Proceeds from disposal of partial shareholdings in subsidiaries .....	860	—	258
Proceeds from sale of property, plant and equipment .....	8	1	1
Dividends received .....	2,529	2,510	2,935
Acquisition of additional shares in subsidiaries .....	<u>(1,523)</u>	<u>(1,004)</u>	<u>(428)</u>
Investment in associates .....	<u>(723)</u>	<u>(1,338)</u>	<u>(1,267)</u>
Investment in shares and securities .....	<u>(2,428)</u>	<u>(2,518)</u>	<u>(4,570)</u>
Proceeds from sale of shares and securities .....	1,119	842	4,445
Redemption of preference shares in a subsidiary .....	—	360	180
<b>Net cash (used in)/generated from investing activities</b> .....	<b><u>(1,042)</u></b>	<b><u>(1,482)</u></b>	<b><u>1,196</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term receivables .....	(12,737)	(2,640)	3,247
Drawdown of term loans .....	1,712	2,470	1,160
Repayment of term loans .....	<u>(60)</u>	<u>(325)</u>	<u>(433)</u>
Dividends paid .....	<u>(3,100)</u>	<u>(4,100)</u>	<u>(4,100)</u>
<b>Net cash used in financing activities</b> .....	<b><u>(14,185)</u></b>	<b><u>(4,595)</u></b>	<b><u>(126)</u></b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b> .....	<b><u>(9,564)</u></b>	<b><u>(1,409)</u></b>	<b><u>8,740</u></b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b> .....	<b><u>21,406</u></b>	<b><u>11,842</u></b>	<b><u>10,433</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b> .....	<b><u>11,842</u></b>	<b><u>10,433</u></b>	<b><u>19,173</u></b>
<b>CASH AND CASH EQUIVALENTS (Note 10)</b>			
Cash and bank balances .....	12	8	3
Deposits .....	<u>11,830</u>	<u>10,425</u>	<u>19,170</u>
	<u>11,842</u>	<u>10,433</u>	<u>19,173</u>

See accompanying Notes to the financial statements.

**PETROLIAM NASIONAL BERHAD  
AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. Significant Accounting Policies**

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years.

**1.1 *Basis of accounting***

The financial statements of the Group and of the Company are prepared under the historical cost convention, as modified by the revaluation of certain landed properties, and in compliance with applicable approved accounting standards in Malaysia. Accordingly, the accompanying financial statements are not intended to present the consolidated financial position and consolidated results of operations and consolidated cash flows in accordance with generally accepted accounting principles and practices in countries or jurisdictions other than Malaysia, and furthermore their utilization is not designed for those who are not informed about Malaysia's accounting principles, procedures and practices.

**1.2 *Basis of translation of financial statements in US dollars***

For the convenience of readers, the accompanying US dollar financial statements have been translated from Ringgit Malaysia at the rate of RM3.80 to US\$1.00, the exchange rate prevailing on March 31, 2001. These translations should not be construed as a representation that Ringgit Malaysia have been or could have been converted into US dollars at that rate.

**1.3 *Basis of consolidation***

The consolidated financial statements include the financial statements of the Company and all its subsidiaries (collectively, the "Group"), all of which are listed in Note 37 to the financial statements. The consolidation is based on the financial statements of the subsidiaries made up to March 31, 2001 and consolidated using the acquisition method of accounting.

All internal transactions are eliminated on consolidation and the revenue and profits relate to external transactions only. Unrealized losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

The proportion of the profit or loss applicable to minority shareholders is deducted in arriving at the profits attributable to the shareholders of the Company.

The total assets and liabilities of subsidiaries are included in the Group Balance Sheet and the interest of minority shareholders in the net assets employed is stated separately.

**1.4 *Goodwill or Reserve on consolidation***

Goodwill or reserve on consolidation represents the excess or deficit on the date of acquisition between the consideration paid for shares in subsidiaries and the fair values attributable to the net assets acquired.

Goodwill arising on consolidation is set off against reserve arising on consolidation and the resulting goodwill or reserve is carried forward.

**1.5 *Associates***

Associates are those companies in which the Group owns a long term equity interest of between 20% and 50% and where the Group exercises significant influence, including representation on the Board of Directors, over the financial and operating policies of the investee company.

**PETROLIAM NASIONAL BERHAD**  
**AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

The Group's share of post-acquisition profits or losses of associates is incorporated in the consolidated financial statements. 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 balance sheet. These amounts are taken from the latest audited financial statements and management accounts of the associates.

Unrealized profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealized losses on such transactions are also eliminated partially unless cost cannot be recovered.

The associates' results are accounted for in the Group's financial statements using the equity method of accounting.

Goodwill or reserve on acquisition is calculated based on the fair value of net assets acquired. Goodwill or reserve arising on acquisition of associates is capitalized and carried forward at cost.

**1.6 *Property, plant and equipment and depreciation***

Property, plant and equipment other than freehold land, oil and gas properties and construction-in-progress are depreciated on a straight line basis over the estimated useful lives of the related assets. Freehold land is not depreciated.

Amortization of producing oil and gas properties is computed based on the unit of production method using proved reserves for capitalized acquisition cost and proved developed reserves for capitalized exploration and development costs.

Construction-in-progress are not depreciated.

Buildings are depreciated over 20 and 50 years or over the remaining land lease period, whichever is shorter.

Leasehold land and leased properties are depreciated over the lease period of 3 to 999 years.

The annual rates of depreciation of the other plant and equipment used are:

Plant .....	5% to 20%
Expendable capital improvements .....	33 $\frac{1}{3}$ %
Office equipment, furniture and fittings.....	15% to 20%
Other plant and equipment.....	5% to 15%
Computer software and hardware.....	20%
Motor vehicles .....	25%
Vessels.....	5%

Property, plant and equipment individually costing less than RM5,000 are expensed off in the year of purchase.

**1.7 *Leased assets***

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation.

**PETROLIAM NASIONAL BERHAD**  
**AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not, the Group's incremental borrowing rate is used.

**1.8 *Borrowing costs and foreign currency exchange differences relating to construction-in-progress***

Borrowing costs incurred on construction-in-progress are capitalized. Exchange differences arising from foreign currency borrowings, to the extent that they are regarded as an adjustment to interest costs, are also capitalized. Capitalization of borrowing costs will cease when the property, plant and equipment are ready for their intended use.

The capitalization rate used to determine the amount of borrowing costs eligible for capitalization is the weighted average of the borrowing cost applicable to the Group's borrowings that are outstanding during the year.

**1.9 *Acquisition, exploration and development expenditure***

The Group follows the successful efforts method of accounting for exploration costs. Exploration costs are initially capitalized pending determination. On determination, such costs are written off unless commercial reserves have been established. Development expenditure comprises all costs incurred in bringing a field to commercial production and is capitalized as incurred. The amount capitalized includes attributable interest and other financing costs incurred on significant exploration and development before commencement of production.

**1.10 *Investments***

*Long-term*

Investments held for long-term purposes are stated at cost less provision for diminution in value made so far as the Directors consider such diminution to be permanent.

*Short-term*

Quoted shares, quoted securities and Malaysian Government Securities held as short-term investments are stated at the lower of cost and market value on an individual investment basis.

Unquoted securities held as short-term investments are stated at the lower of cost and theoretical market value based on the yield to maturity.

**1.11 *Inventories***

Inventories are stated at the lower of cost and net realizable value. Cost of crude oil and condensate comprise costs of bringing the inventories to their present location and condition and is determined on the first-in-first-out ("FIFO") basis. Cost of petroleum products includes crude oil costs, export duty, transportation charges and processing costs and is determined on the weighted average basis. Cost of liquefied natural gas ("LNG") and petrochemical products includes raw gas costs and production overheads and is determined on the weighted average basis.

Material stores and spares are stated at cost. Cost consists of the invoiced value from suppliers and import duty charges and is determined on the weighted average basis.

**PETROLIAM NASIONAL BERHAD  
AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

**1.12 *Expenditure carried forward***

Expenditure carried forward consists of preliminary expenses and pre-operating expenses. In prior years, preliminary expenses were written off in the first year of operation while pre-operating expenses were amortized over a period of five years commencing from the first complete year of commercial operation.

During the financial year ended March 31, 2001, the balance of expenditure carried forward of RM59 million (US\$16 million) was written off to the income statement instead of adjusting as a prior year adjustment as the amount involved is immaterial.

**1.13 *Amount due from contract customers***

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

**1.14 *Retirement benefits***

The Group and Company, other than Aromatics Malaysia Sdn. Bhd., Institute of Technology PETRONAS Sdn. Bhd., Optimal Olefins (M) Sdn. Bhd., Petrosains Sdn. Bhd., Malaysia International Shipping Corporation Berhad (“MISC”) and Engen Limited and its subsidiaries (“Engen Group”), contribute monthly to the PETRONAS Retirement Benefit Fund (the “Fund”) based on the eligible employees’ monthly salary less statutory contribution, to finance the retirement benefits payable to eligible employees in accordance with the group retirement benefit scheme. The assets of the Fund are held separately for the Group and the Company by the Trustees and the liability of the Fund is determined by the accrued benefit method calculated based on Projected Service Liability for the eligible employees. The monthly maximum tax allowable contribution is paid to the Fund by the Group and the Company. The excess is paid by the Group and the Company to a special account in PETRONAS as a provision for retirement benefits.

An actuarial valuation of the Fund is conducted by a qualified independent actuary at least once in every three years. The last valuation performed was on March 31, 2001 and this valuation showed that the net realizable value of the Fund assets are sufficient to meet the actuarially determined value of vested benefits.

Engen Group and its employees contribute to the Engen Pension Fund, Mines Officials’ Pension Fund, Namflex Retirement Fund, Engen Retirement Fund and the Chemical Industries National Provident Fund. The first two funds constitutes defined benefit funds whilst the remaining three funds are defined contribution provident funds.

An actuarial valuation on the Engen Pension Fund and Mines Officials’ Pension Fund is conducted by a qualified independent actuary at least once in every three years. The last valuations performed for Engen Pension Fund and for Mines Officials’ Pension Fund were on December 31, 1999 and June 30, 1999, respectively. These valuations showed that the net realizable value of the fund assets are sufficient to meet the actuarially determined value of vested benefits.

**1.15 *Deferred taxation***

Deferred taxation is calculated under the liability method in respect of all material timing differences except where it is reasonably expected that the tax effect of such timing differences will continue in the foreseeable future and there are no indications they will reverse thereafter. Deferred tax benefits are only recognized where there is reasonable expectation of realization in the near future.

**PETROLIAM NASIONAL BERHAD**  
**AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

**1.16 Foreign currency transactions**

Assets and liabilities in foreign currencies at balance sheet date have been translated at rates ruling on the balance sheet date or at the agreed exchange rate under currency exchange arrangements. Transactions in foreign currencies have been translated into Ringgit Malaysia at rates of exchange ruling on the transaction dates or where forward contracts have been entered into, at the contracted rates. Gains and losses on exchange arising from translation of short term monetary assets and liabilities are dealt with in the income statement.

In accordance with the transitional provisions provided in MASB Standard 6, The Effects of Changes in Foreign Exchange Rates; exchange differences arising on the translation of long term foreign currency monetary items are being deferred and amortized over the remaining lives to which they relate to. Unamortized gains and losses on exchange are carried forward and shown in the reserves as “Unrealized gain/loss on translation of long term assets and liabilities.”

Had the Group and the Company not availed themselves of these transitional provisions, the profit before taxation of the Group and of the Company for the financial year ended March 31, 2001 would have been decreased by RM2,940 million (US\$774 million) and RM1,795 million (US\$472 million), respectively.

On consolidation, the assets and liabilities of certain foreign incorporated subsidiaries are translated into Ringgit Malaysia at the exchange rates approximating those ruling at balance sheet date while the current year's results are translated at the average exchange rates. The difference arising from such translation is taken to Exchange Difference Account.

As for foreign incorporated subsidiaries whose operations are integral to the Group, non-monetary assets and liabilities are translated into Ringgit Malaysia at the exchange rates approximating those ruling on the transaction dates. Monetary assets and liabilities are translated into Ringgit Malaysia at exchange rates approximating those ruling at balance sheet date while the current year's results are translated at the average exchange rates. The difference arising from such translation is dealt with in the income statement.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign incorporated subsidiaries are as follows:

<u>(Based on per unit of foreign currency)</u>	<u>2000</u>	<u>2001</u>
US\$ .....	RM3.7995	RM3.7995
ZAR .....	RM0.5768	RM0.4718
JPY .....	RM0.0359	RM0.0306
GBP .....	RM6.0518	RM5.4261
€ .....	RM3.6414	RM3.3470
PHP .....	RM0.0925	RM0.0771
DEM .....	RM1.8619	RM1.7113
AUD .....	RM2.3036	RM1.8625
FRF .....	RM0.5557	RM0.5105
THB .....	RM0.1004	RM0.0849
HKD .....	RM0.4880	RM0.4872
CHF .....	RM2.2879	RM2.1992
CNY .....	RM0.4589	RM0.4590
INR .....	RM0.0872	RM0.0815
MMK .....	RM0.6203	RM0.5660
VND .....	RM0.0003	RM0.0003

**PETROLIAM NASIONAL BERHAD**  
**AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

**1.17 *Joint ventures***

A joint venture is a contractual agreement whereby the Group and other parties have joint control over an economic activity.

In respect of their interest in jointly controlled operations, the Group and the Company recognize in their financial statements the assets that they control and the liabilities that they incur as well as the expenses that they incur and their share of the income that they earn from the sale of goods or services by the joint venture.

In respect of their interest in jointly controlled assets, the Group and the Company recognize in their financial statements their share of the jointly controlled assets, classified according to the nature of the assets; any liabilities which they have incurred; their share of any liabilities incurred jointly with the other venturers in relation to the joint venture; any income from the sale or use of their share of the output of the joint venture together with their share of any expenses incurred by the joint venture; and any expenses which they have incurred in respect of their interest in the joint venture.

In respect of its interest in jointly controlled entities, the Group uses the equity method to account for its interest.

Unrealized profits or losses arising from transactions between the Group and its joint venturers are recognized only to the extent of that portion of the gains or losses which is attributable to the interests of the other venturers. Unrealized losses are however recognized in full when the transaction provides evidence of a reduction in the net realizable value of current assets or a decline, other than temporary, in the carrying amount of long-term assets.

**1.18 *Provision for dry docking***

Provision for dry docking is made based on the estimated cost of dry docking and servicing shipping vessels, which are required by international shipping regulations.

**1.19 *Provision for plant turnaround***

Provision for plant turnaround is made based on the estimated costs of scheduled plant maintenance.

**1.20 *Cash and cash equivalents***

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

**1.21 *Revenue***

Revenue from sale of oil and gas and general merchandise is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognized in the income statement based on actual and estimates of work done in respect of services rendered for long term project management contracts. Work done is measured based on internal certification of project activities completed as a percentage of total contract. Full provision is made for any foreseeable losses.

Revenue arising from shipping activities is recognized based on the freight receivable for cargoes loaded onto vessels up to the balance sheet date and their relevant discharging costs are accrued in the income statement.

Revenue arising from other shipping related activities is accounted for on a time accrual basis.

**PETROLIAM NASIONAL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

Revenue arising from assets yielding interest is recognized on a time proportion basis that takes into account the effective yield on the assets.

Revenue arising from investments yielding dividend is recognized when the shareholders' right to receive payment is established.

Revenue from sales of utilities is recognized in the income statement based on certification of utilities distributed to the buyer at pre-determined rates.

**1.22 Expenses**

*Operating lease payments*

Payments made under operating leases are recognized in the income statement as incurred. Lease incentives received are recognized in the income statement as an integral part of the total lease payments made.

*Financing costs*

Finance costs comprise interest payable on borrowings and profit share margin on Islamic Debt Facilities.

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of financing costs, other than that incurred in relation to construction-in-progress. The interest component of finance lease payments is recognized in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

**2. Inventories**

	Group			Company	
	2000	2001	2001	2000	2001
	RM	RM	US\$	RM	RM
	(in millions)			(in millions)	
Petroleum products.....	970	999	263	20	36
Crude oil and condensate.....	280	370	97	—	—
Petrochemical products .....	100	121	32	—	—
Liquefied natural gas .....	33	58	15	—	—
Stores, spares and others .....	650	623	164	—	—
	<u>2,033</u>	<u>2,171</u>	<u>571</u>	<u>20</u>	<u>36</u>

The carrying values of inventories carried at net realizable value are:

	Group			Company	
	2000	2001	2001	2000	2001
	RM	RM	US\$	RM	RM
	(in millions)			(in millions)	
Petroleum products.....	31	210	55	—	—
Crude oil and condensate.....	—	79	21	—	—
Petrochemical products .....	—	73	19	—	—
	<u>31</u>	<u>362</u>	<u>95</u>	<u>—</u>	<u>—</u>

**PETROLIAM NASIONAL BERHAD**  
**AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

**3. Trade Receivables**

	Group			Company	
	2000	2001	2001	2000	2001
	RM	RM	US\$	RM	RM
			(in millions)		
Trade receivables .....	6,790	8,621	2,269	1,671	1,752
Less: Provision for doubtful debts .....	(429)	(650)	(171)	—	(124)
	<u>6,361</u>	<u>7,971</u>	<u>2,098</u>	<u>1,671</u>	<u>1,628</u>

**4. Other Receivables**

	Group			Company	
	2000	2001	2001	2000	2001
	RM	RM	US\$	RM	RM
			(in millions)		
Staff housing and vehicle loans .....	725	774	204	716	768
Loans to Directors .....	1	1	—	1	1
Other receivables, deposits and prepayments .....	3,224	4,409	1,161	1,094	1,431
Less: Provision for doubtful debts .....	(7)	(136)	(36)	—	(26)
	<u>3,217</u>	<u>4,273</u>	<u>1,125</u>	<u>1,094</u>	<u>1,405</u>
Amount due from contract customers .....	16	24	6	—	—
	<u>3,959</u>	<u>5,072</u>	<u>1,335</u>	<u>1,811</u>	<u>2,174</u>

*Amount due from contract customers*

	Group		
	2000	2000	2001
	RM	RM	US\$
			(in millions)
Aggregate costs incurred to date .....	88	185	49
Add: Attributable profit .....	49	126	33
	137	311	82
Less: Progress billings .....	(121)	(287)	(76)
	<u>16</u>	<u>24</u>	<u>6</u>

The staff housing and vehicle loans are given in accordance with terms and conditions of the staff housing and motor vehicle loan schemes approved by shareholders.

The loans to Directors of the Company relate to housing and motor vehicle loans given to certain executive Directors on terms and conditions as approved by shareholders.

**PETROLIAM NASIONAL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

**5. Amount Due from Subsidiaries**

	<b>Company</b>	
	<b>2000</b>	<b>2001</b>
	<b>RM</b>	<b>RM</b>
		(in millions)
Amount due from		
Subsidiaries .....	4,874	6,009
Less: Provision for doubtful debts .....	—	(94)
	<u>4,874</u>	<u>5,915</u>

The amount due from subsidiaries arose in the normal course of business.

**6. Amount Due from/to Associates and Subsidiaries**

The amount due from/to associates and subsidiaries arose in the normal course of business.

**7. Long-Term Receivables**

	<b>Group</b>			<b>Company</b>	
	<b>2000</b>	<b>2001</b>	<b>2001</b>	<b>2000</b>	<b>2001</b>
	<b>RM</b>	<b>RM</b>	<b>US\$</b>	<b>RM</b>	<b>RM</b>
			(in millions)		(in millions)
Loans and advances to subsidiaries .....	—	—	—	11,735	9,938
Less: Provision for doubtful debts .....	—	—	—	—	(299)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,735</u>	<u>9,639</u>
Term loans re-lent to subsidiaries .....	—	—	—	17,196	17,033
Less: Repayable within twelve months (Note 18) .....	—	—	—	(423)	(2,759)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>16,773</u>	<u>14,274</u>
Loans and advances to associates .....	1,341	2,221	584	1,003	1,591
Less: Provision for doubtful debts .....	—	(5)	(1)	—	(5)
	<u>1,341</u>	<u>2,216</u>	<u>583</u>	<u>1,003</u>	<u>1,586</u>
Term loans re-lent to associates .....	374	555	146	374	555
Less: Repayable within twelve months (Note 18) .....	(13)	(49)	(13)	(13)	(49)
	<u>361</u>	<u>506</u>	<u>133</u>	<u>361</u>	<u>506</u>
Prepayments .....	149	147	39	—	—
Other receivables .....	2,241	2,807	739	—	—
	<u>2,390</u>	<u>2,954</u>	<u>778</u>	<u>—</u>	<u>—</u>
	<u>4,092</u>	<u>5,676</u>	<u>1,494</u>	<u>29,872</u>	<u>26,005</u>

Included in the Company's loans and advances to subsidiaries is an amount of RM5,290 million (US\$1,392 million) (March 31, 2000—Nil), which bears interest at rates ranging from 4.24% to 8.50% (March 31, 2000—Nil) per annum and also an amount of RM603 million (US\$159 million) (March 31, 2000—RM329 million), which is pending conversion to equity.

Included in the Company's loans and advances to associates is an amount of RM291 million (US\$76 million) (March 31, 2000—RM426 million), which is interest free and pending conversion to equity.

**PETROLIAM NASIONAL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

The remaining loans and advances to subsidiaries and associates are unsecured, interest free and have no fixed terms of repayment.

Term loans re-lent to subsidiaries and associates were on-lent on the same terms and conditions as those of the principal loan agreements obtained by the Company.

**8. Fund Investments**

	Group			Company	
	2000	2001	2001	2000	2001
	RM	RM	US\$	RM	RM
Quoted shares and securities .....	1,367	2,479	653	1,127	2,257
Malaysian Government Securities .....	<u>3,799</u>	<u>2,566</u>	<u>675</u>	<u>3,799</u>	<u>2,348</u>
	<u>5,166</u>	<u>5,045</u>	<u>1,328</u>	<u>4,926</u>	<u>4,605</u>
Market value of quoted investments					
Quoted shares and securities .....	1,469	2,612	687	1,206	2,358
Malaysian Government Securities .....	<u>4,024</u>	<u>2,705</u>	<u>712</u>	<u>4,024</u>	<u>2,490</u>

**9. Other Investments**

	Group			Company	
	2000	2001	2001	2000	2001
	RM	RM	US\$	RM	RM
Long-term					
Quoted shares .....	—	220	58	—	—
Unquoted shares .....	503	615	162	143	143
Loan stock .....	110	78	21	110	78
Other unquoted securities .....	—	38	10	—	—
	613	951	251	253	221
Less: Provision for diminution in value					
Unquoted shares .....	(100)	(100)	(27)	(100)	(100)
Loan stock .....	(110)	(78)	(21)	(110)	(78)
	<u>403</u>	<u>773</u>	<u>203</u>	<u>43</u>	<u>43</u>
Short-term					
Unquoted shares .....	—	14	4	—	—
Other unquoted securities .....	<u>7,085</u>	<u>8,389</u>	<u>2,207</u>	<u>3,001</u>	<u>3,375</u>
	<u>7,085</u>	<u>8,403</u>	<u>2,211</u>	<u>3,001</u>	<u>3,375</u>
Market value of quoted investments					
Long-Term					
Quoted shares .....	—	<u>297</u>	<u>78</u>	—	—

**PETROLIAM NASIONAL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

**10. Cash and Cash Equivalents**

	Group			Company	
	2000	2001	2001	2000	2001
	RM	RM	US\$	RM	RM
			(in millions)		
Cash and bank balances .....	422	677	178	8	3
Deposits .....	<u>25,288</u>	<u>30,210</u>	<u>7,950</u>	<u>10,425</u>	<u>19,170</u>
	<u>25,710</u>	<u>30,887</u>	<u>8,128</u>	<u>10,433</u>	<u>19,173</u>
Deposits are placed with					
Licensed banks .....	18,956	22,053	5,803	7,626	13,892
Finance companies .....	2,184	2,598	684	213	1,492
Other corporations .....	<u>4,148</u>	<u>5,559</u>	<u>1,463</u>	<u>2,586</u>	<u>3,786</u>
	<u>25,288</u>	<u>30,210</u>	<u>7,950</u>	<u>10,425</u>	<u>19,170</u>

Included in cash and bank balances and deposits of the Group is an amount of RM11 million (US\$3 million) (March 31, 2000—Nil) and RM846 million (US\$223 million) (March 31, 2000—Nil), respectively, where there is restriction on their usage to pay certain permitted expenses only.

**PETROLIAM NASIONAL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

**11. Property, Plant and Equipment**

<u>Group</u>	<u>At</u>	<u>Acquisition</u>			<u>Disposals/</u> <u>Write Offs</u> <u>RM</u> <u>(in millions)</u>	<u>Adjustments/</u> <u>Transfers</u> <u>RM</u>	<u>Exchange</u> <u>Difference</u> <u>RM</u>	<u>At</u> <u>3.31.2001</u> <u>RM</u>
	<u>4.1.2000</u> <u>RM</u>	<u>Additions</u> <u>RM</u>	<u>of</u> <u>Subsidiaries</u> <u>RM</u>					
<b>At 1991 valuation</b>								
Leasehold land								
—long lease .....	41	—	—	—	—	—	—	41
—short lease .....	1	—	—	—	—	—	—	1
Buildings .....	48	—	—	—	—	—	—	48
<b>At cost</b>								
Freehold land .....	491	31	—	(10)	9	(15)	506	
Leasehold land								
—long lease .....	1,257	43	—	(115)	9	(1)	1,193	
—short lease .....	58	3	—	(1)	—	1	61	
Lease properties .....	733	—	—	(9)	72	(1)	795	
Oil and gas properties .....	10,534	441	—	—	1,356	(44)	12,287	
Buildings .....	2,908	146	20	(10)	405	(82)	3,387	
Plant .....	27,821	223	—	(14)	5,632*	(269)	33,393	
Expendable capital								
improvements .....	30	5	—	—	—	—	—	35
Office equipment, furniture								
and fittings .....	1,033	38	—	(105)	134**	(41)	1,059	
Other plant and equipment								
3,814	246	10	(397)	473***	(155)	3,991		
Computer software and								
hardware .....	529	256	—	(32)	19	(3)	769	
Motor vehicles .....	181	14	1	(8)	—	(12)	176	
Vessels .....	<u>15,062</u>	<u>301</u>	<u>46</u>	<u>(116)</u>	<u>—</u>	<u>—</u>	<u>15,293</u>	
	<u>64,541</u>	<u>1,747</u>	<u>77</u>	<u>(817)</u>	<u>8,109</u>	<u>(622)</u>	<u>73,035</u>	

**PETROLIAM NASIONAL BERHAD**  
**AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

<b>Group</b>	<b>At</b>	<b>Acquisition</b>			<b>Disposals/</b>	<b>Adjustments/</b>	<b>Exchange</b>	<b>At</b>
	<b>4.1.2000</b>	<b>Additions</b>	<b>of</b>	<b>Subsidiaries</b>	<b>Write Offs</b>	<b>Transfers</b>	<b>Difference</b>	<b>3.31.2001</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Accumulated depreciation at 1991 valuation								
Leasehold land								
—long lease .....	7	1	—	—	—	—	—	8
—short lease .....	—	—	—	—	—	—	—	—
Buildings .....	9	1	—	—	—	—	—	10
At cost								
Freehold land .....	—	—	—	—	—	—	—	—
Leasehold land								
—long lease .....	131	17	—	(6)	—	—	—	142
—short lease .....	17	3	—	—	—	—	—	20
Lease properties .....	256	32	—	(4)	11	(1)	294	
Oil and gas properties .....	4,525	1,109	—	—	—	(20)	5,614	
Buildings .....	581	102	—	(3)	(10)	(16)	654	
Plant .....	8,677	1,546	—	(11)	(49)*	(62)	10,101	
Expendable capital improvements .....	28	3	—	—	—	—	—	31
Office equipment, furniture and fittings .....	378	118	—	(58)	(16)	(22)	400	
Other plant and equipment								
Other plant and equipment .....	1,297	296	—	(225)	(2)	(65)	1,301	
Computer software and hardware .....	291	173	—	(18)	17	—	463	
Motor vehicles .....	125	19	—	(6)	—	(7)	131	
Vessels .....	<u>4,557</u>	<u>827</u>	<u>—</u>	<u>(96)</u>	<u>—</u>	<u>—</u>	<u>5,288</u>	
	<u><u>20,879</u></u>	<u><u>4,247</u></u>	<u><u>—</u></u>	<u><u>(427)</u></u>	<u><u>(49)</u></u>	<u><u>(193)</u></u>	<u><u>24,457</u></u>	

**PETROLIAM NASIONAL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

<u>Group</u>	<u>Net Book Value</u>		<u>Depreciation Charge for the Year Ended March 31, 2000</u>
	<u>2000</u> <u>RM</u> <u>(in millions)</u>	<u>2001</u> <u>RM</u> <u>(in millions)</u>	
At 1991 valuation			
Leasehold land			
—long lease .....	34	33	1
—short lease.....	1	1	—
Buildings .....	39	38	1
At cost			
Freehold land .....	491	506	—
Leasehold land			
—long lease .....	1,126	1,051	17
—short lease.....	41	41	2
Lease properties .....	477	501	28
Oil and gas properties .....	6,009	6,673	835
Buildings .....	2,327	2,733	79
Plant .....	19,144	23,292	1,285
Expendable capital improvements .....	2	4	1
Office equipment, furniture and fittings .....	655	659	122
Other plant and equipment.....	2,517	2,690	334
Computer software and hardware .....	238	306	50
Motor vehicles .....	56	45	—
Vessels .....	<u>10,505</u>	<u>10,005</u>	<u>805</u>
	<u>43,662</u>	<u>48,578</u>	<u>3,560</u>

<u>Group</u>	<u>At</u>	<u>Acquisition</u>		<u>Disposals/ Write Offs</u> <u>US\$</u> <u>(in millions)</u>	<u>Adjustments/ Transfers</u> <u>US\$</u>	<u>Exchange Difference</u> <u>US\$</u>	<u>At</u>
	<u>4.1.2000</u> <u>US\$</u>	<u>Additions</u> <u>US\$</u>	<u>Subsidiaries</u> <u>US\$</u>				
At 1991 valuation							
Leasehold land							
—long lease .....	11	—	—	—	—	—	11
—short lease.....	—	—	—	—	—	—	—
Buildings .....	13	—	—	—	—	—	13
At cost							
Freehold land .....	129	8	—	(2)	2	(4)	133
Leasehold land							
—long lease .....	331	11	—	(30)	2	—	314
—short lease.....	15	1	—	—	—	—	16
Lease properties .....	193	—	—	(2)	19	—	210
Oil and gas properties .....	2,772	116	—	—	357	(12)	3,233
Buildings .....	765	39	5	(3)	107	(21)	892

**PETROLIAM NASIONAL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

<b>Group</b>	<b>At</b>	<b>Acquisition</b>			<b>Adjustments/</b>	<b>Exchange</b>	<b>At</b>	
	<b>4.1.2000</b>	<b>Additions</b>	<b>of</b>	<b>Subsidiaries</b>				
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>(in millions)</b>	<b>US\$</b>	<b>US\$</b>	
Plant .....	7,321	59	—		(4)	1,482*	(71)	8,787
Expendable capital improvements .....	8	1	—		—	—	—	9
Office equipment, furniture and fittings .....	272	10	—		(28)	35**	(11)	278
Other plant and equipment .....	1,004	65	3		(105)	125***	(41)	1,051
Computer software and hardware .....	139	67	—		(8)	5	(1)	202
Motor vehicles .....	47	4	—		(2)	—	(3)	46
Vessels.....	<u>3,964</u>	<u>79</u>	<u>12</u>		<u>(31)</u>	<u>2,134</u>	<u>(164)</u>	<u>4,024</u>
	<u>16,984</u>	<u>460</u>	<u>20</u>		<u>(215)</u>	<u>—</u>	<u>—</u>	<u>19,219</u>
Accumulated depreciation at 1991 valuation								
Leasehold land								
—long lease .....	2	—	—		—	—	—	2
—short lease .....	—	—	—		—	—	—	—
Buildings .....	2	—	—		—	—	—	2
At cost								
Freehold land .....	—	—	—		—	—	—	—
Leasehold land								
—long lease .....	35	4	—		(2)	—	—	37
—short lease .....	5	1	—		—	—	—	6
Lease properties .....	67	8	—		(1)	3	—	77
Oil and gas properties .....	1,191	292	—		—	—	(5)	1,478
Buildings .....	153	27	—		(1)	(3)	(4)	172
Plant .....	2,283	407	—		(3)	(13)*	(16)	2,658
Expendable capital improvements .....	7	1	—		—	—	—	8
Office equipment, furniture and fittings .....	99	31	—		(15)	(4)	(6)	105
Other plant and equipment .....	341	78	—		(59)	(1)	(17)	342
Computer software and hardware .....	77	46	—		(5)	5	—	123
Motor vehicles .....	33	5	—		(2)	—	(2)	34
Vessels.....	<u>1,199</u>	<u>218</u>	<u>—</u>		<u>(26)</u>	<u>—</u>	<u>—</u>	<u>1,391</u>
	<u>5,494</u>	<u>1,118</u>	<u>—</u>		<u>(114)</u>	<u>(13)</u>	<u>(50)</u>	<u>6,435</u>

**PETROLIAM NASIONAL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

<u>Group</u>	<u>Net Book Value</u>		<u>Depreciation Charge for the Year Ended March 31, 2000</u>  <u>US\$</u> <u>(in millions)</u>
	<u>2000</u> <u>US\$</u> <u>(in millions)</u>	<u>2001</u> <u>US\$</u> <u>(in millions)</u>	
At 1991 valuation			
Leasehold land			
—long lease .....	9	9	—
—short lease.....	—	—	—
Buildings .....	11	11	—
At cost			
Freehold land .....	129	133	—
Leasehold land			
—long lease .....	296	277	5
—short lease.....	10	10	—
Lease properties .....	126	133	7
Oil and gas properties .....	1,581	1,755	220
Buildings .....	612	720	21
Plant .....	5,038	6,129	338
Expendable capital improvements .....	1	1	—
Office equipment, furniture and fittings .....	173	173	32
Other plant and equipment.....	663	709	88
Computer software and hardware .....	62	79	13
Motor vehicles .....	14	12	—
Vessels .....	<u>2,765</u>	<u>2,633</u>	<u>212</u>
	<u>11,490</u>	<u>12,784</u>	<u>936</u>

\* This includes an amount of RM1,002 million (US\$264 million) and RM49 million (US\$13 million) in respect of cost and accumulated depreciation respectively transferred to an associate.

\*\* This includes office equipment of RM1 million (US\$0.3 million) transferred to associates.

\*\*\* This includes insurance spares of RM9 million (US\$2 million) transferred from inventories of two subsidiaries.

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<u>Company</u>	<u>At 4.1.2000</u> RM	<u>Additions</u> RM	<u>Disposals/ Write Offs</u> RM (in millions)	<u>Transfers</u> RM	<u>At 3.31.2001</u> RM
<b>At cost</b>					
Freehold land .....	53	—	—	—	53
Leasehold land					
—long lease .....	259	24	—	—	283
Lease properties .....	368	—	—	—	368
Buildings .....	446	3	—	67	516
Expendable capital improvements .....	19	5	—	—	24
Office equipment, furniture and fittings ..	650	4	—	66	720
Other plant and equipment .....	8	—	—	—	8
Computer software and hardware .....	215	42	(1)	—	256
Motor vehicles .....	<u>24</u>	<u>4</u>	<u>(2)</u>	<u>—</u>	<u>26</u>
	<u><u>2,042</u></u>	<u><u>82</u></u>	<u><u>(3)</u></u>	<u><u>133</u></u>	<u><u>2,254</u></u>
	<u>At 4.1.2000</u> RM	<u>Charge for the Year</u> RM	<u>Disposals/ Write Offs</u> RM (in millions)	<u>Transfers</u> RM	<u>At 3.31.2001</u> RM
<b>Accumulated depreciation at cost</b>					
Freehold land .....	—	—	—	—	—
Leasehold land					
—long lease .....	27	3	—	—	30
Lease properties .....	194	12	—	—	206
Buildings .....	101	10	—	—	111
Expendable capital improvements .....	19	2	—	—	21
Office equipment, furniture and fittings ..	144	97	—	—	241
Other plant and equipment .....	6	1	—	—	7
Computer software and hardware .....	140	24	(1)	—	163
Motor vehicles .....	<u>19</u>	<u>3</u>	<u>(2)</u>	<u>—</u>	<u>20</u>
	<u><u>650</u></u>	<u><u>152</u></u>	<u><u>(3)</u></u>	<u><u>—</u></u>	<u><u>799</u></u>

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<u>Company</u>	<u>Net Book Value</u>		<u>Depreciation Charge for the Year Ended March 31, 2000</u>
	<u>2000</u> RM (in millions)	<u>2001</u> RM (in millions)	
<b>At cost</b>			
Freehold land .....	53	53	—
Leasehold land			
—long lease.....	232	253	3
Lease properties .....	174	162	12
Buildings .....	345	405	9
Expendable capital improvements .....	—	3	—
Office equipment, furniture and fittings .....	506	479	98
Other plant and equipment .....	2	1	—
Computer software and hardware .....	75	93	14
Motor vehicles .....	5	6	4
	<b>1,392</b>	<b>1,455</b>	<b>140</b>

***Revaluation***

The properties stated at revaluation in 1991 were revalued by the Directors based on the valuations of independent professional valuers on the comparison approach method. These valuations have not been updated as it is not the intention of the Group to state properties at valuation, which is in accordance with the transitional provision issued by the Malaysian Accounting Standards Board for the application of International Accounting Standard No. 16—“Property, Plant and Equipment.”

Had the net book value of these properties been carried at historical cost less accumulated depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the year are as follows:

	<u>Group</u>		
	<u>2000</u> RM (in millions)	<u>2001</u> RM (in millions)	<u>2001</u> US\$
<b>Leasehold land</b>			
—long lease .....	10	10	3
—short lease .....	1	1	—
Buildings .....	130	126	33
	<b>141</b>	<b>137</b>	<b>36</b>

***Security***

Property, plant and equipment of subsidiaries costing RM2,257 million (US\$594 million) (March 31, 2000—RM3,142 million) have been pledged as securities for loan facilities as set out in Note 18 to the financial statements.

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The titles to certain freehold and leasehold lands are in the process of being registered in the Company's and subsidiaries' names.

***Lease property, plant and equipment***

Included in the previous year's cost of property, plant and equipment of the Group were computer hardware and software acquired under finance lease arrangements costing RM3 million (US\$1 million).

**12. Expenditure Carried Forward**

	Group		
	2000	2001	2001
	RM	RM	US\$
(in millions)			
Preliminary expenses			
Balance at April 1 .....	—	—	—
Additions during the year .....	—	—	—
Written off/Amortization during the year .....	—	—	—
Balance at March 31 .....	—	—	—
Pre-operating expenses			
Balance at April 1 .....	64	59	16
Additions during the year .....	19	—	—
Written off/Amortization during the year .....	(24)	(59)	(16)
Balance at March 31 .....	59	—	—
	<u>59</u>	<u>—</u>	<u>—</u>
Included in pre-operating expenses for the year are			
Audit fees .....	—	—	—
Depreciation and amortization .....	—	—	—
Rental of land and buildings .....	3	—	—
Rental of plant and equipment .....	—	—	—
Retirement benefits .....	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>

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**13. Construction-In-Progress**

<u>Group</u>	<u>At</u>		<u>Disposals/</u>		<u>At</u>
	<u>4.1.2000</u>	<u>Additions</u>	<u>Write Offs</u>	<u>Transfers</u>	<u>3.31.2001</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u> (in millions)	<u>RM</u>	<u>RM</u>
Project in progress					
—Oil and gas properties .....	6,578	3,971	(176)	(1,416)	8,957
—Other projects .....	<u>10,515</u>	<u>5,997</u>	<u>(204)</u>	<u>(7,688)</u>	<u>8,620</u>
	<u>17,093</u>	<u>9,968</u>	<u>(380)</u>	<u>(9,104)</u>	<u>17,577</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u> (in millions)	<u>US\$</u>	<u>US\$</u>
Project in progress					
—Oil and gas properties .....	1,731	1,045	(46)	(372)	2,358
—Other projects .....	<u>2,767</u>	<u>1,578</u>	<u>(54)</u>	<u>(2,023)</u>	<u>2,268</u>
	<u>4,498</u>	<u>2,623</u>	<u>(100)</u>	<u>(2,395)</u>	<u>4,626</u>
<u>Company</u>	<u>At</u>		<u>Disposals/</u>		<u>At</u>
	<u>4.1.2000</u>	<u>Additions</u>	<u>Write Offs</u>	<u>Transfers</u>	<u>3.31.2001</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u> (in millions)	<u>RM</u>	<u>RM</u>
Project in progress					
—Oil and gas properties .....	—	—	—	—	—
—Other projects .....	<u>229</u>	<u>275</u>	<u>(116)</u>	<u>(133)</u>	<u>255</u>
	<u>229</u>	<u>275</u>	<u>(116)</u>	<u>(133)</u>	<u>255</u>

The additions to construction-in-progress of the Group include the following:

	<u>2000</u>	<u>2001</u>	<u>2001</u>
	<u>RM</u>	<u>RM</u>	<u>US\$</u>
			(in millions)
Rental of equipment and vehicles .....	—	1	—
Rental of land and buildings .....	—	—	—
Depreciation .....	—	1	—
Interest on term loans .....	122	82	22
Unrealized loss on foreign exchange .....	<u>6</u>	<u>—</u>	<u>—</u>

The interest rate on the term loan capitalized approximates 7.06% (March 31, 2000—7.12%) per annum.

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**14. Investment in Subsidiaries**

	<b>Company</b>	
	<b>2000</b>	<b>2001</b>
	RM (in millions)	RM (in millions)
Investment at cost		
—quoted shares .....	3,601	3,737
—unquoted shares .....	<u>7,179</u>	<u>7,126</u>
	<u>10,780</u>	<u>10,863</u>
Market value of quoted shares .....	17,447	17,014
Market value of quoted warrants .....	<u>257</u>	<u>—</u>

The warrants were issued in relation to the listing of one of the Company's quoted subsidiaries and have no cost attached to them. The warrants were converted to ordinary shares of the quoted subsidiaries during the year.

Details of the subsidiaries are stated in Note 37 to the financial statements.

**15. Investment in Associates**

	<b>Group</b>			<b>Company</b>	
	<b>2000</b>	<b>2001</b>	<b>2001</b>	<b>2000</b>	<b>2001</b>
	RM (in millions)	RM (in millions)	US\$	RM (in millions)	RM (in millions)
Investment at cost					
—quoted shares .....	661	1,695	446	—	982
—unquoted shares .....	<u>4,342</u>	<u>4,585</u>	<u>1,207</u>	<u>3,831</u>	<u>4,116</u>
—loan stocks .....	492	492	129	492	492
Share of post-acquisition profits/ (losses) and reserves	<u>(73)</u>	<u>(139)</u>	<u>(37)</u>	<u>—</u>	<u>—</u>
	5,422	6,633	1,745	4,323	5,590
Less: Provision for diminution in value .....	<u>(16)</u>	<u>(116)</u>	<u>(30)</u>	<u>—</u>	<u>(93)</u>
	<u>5,406</u>	<u>6,517</u>	<u>1,715</u>	<u>4,323</u>	<u>5,497</u>
<b>Represented by</b>					
Group's shares of net assets other than goodwill .....	5,252	6,109	1,608	—	—
Goodwill on consolidation .....	<u>154</u>	<u>408</u>	<u>107</u>	<u>—</u>	<u>—</u>
	<u>5,406</u>	<u>6,517</u>	<u>1,715</u>	<u>—</u>	<u>—</u>
Market value of quoted shares .....	<u>321</u>	<u>1,123</u>	<u>296</u>	<u>—</u>	<u>785</u>

The Group's share of the current year and cumulative losses of certain associates amounting to RM90 million (US\$24 million) and RM90 million (US\$24 million), respectively, have not been recognized in the Group's income statement as equity accounting has ceased with effect from April 1, 2000 when the Group's share of losses of these associates exceeded the carrying amount of its investment in these associates. The investment in these associates has been fully provided for in the income statement during the year.

Details of associates are stated in Note 38 to the financial statements.

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**16. Short-Term Borrowings**

	Group		
	2000	2001	2001
	RM	RM	US\$
Banker's acceptances (unsecured) . . . . .	18	55	15

The unsecured banker's acceptances bear interest at rates ranging from 2.70% to 3.30% (March 31, 2000—5.50% to 5.60%) per annum.

**17. Murabahah Note Issuance Facilities (Unsecured)**

	Group		
	2000	2001	2001
	RM	RM	US\$
Murabahah note issuance facilities			
—Current . . . . .	206	161	42
—Non-current . . . . .	1,100	1,205	317
	<u>1,306</u>	<u>1,366</u>	<u>359</u>

*Term and repayment schedule*

	Total	Under 1 Year	1-2 Years	2-5 Years	Over 5 Years
	RM	RM	RM	RM	RM
	(in millions)				
Murabahah note issuance facilities . . . . .	<u>1,366</u>	<u>161</u>	<u>—</u>	<u>1,205</u>	<u>—</u>
	Total	Under 1 Year	1-2 Years	2-5 Years	Over 5 Years
	US\$	US\$	US\$	US\$	US\$
	(in millions)				
Murabahah note issuance facilities . . . . .	<u>359</u>	<u>42</u>	<u>—</u>	<u>317</u>	<u>—</u>

The Group entered into the following Murabahah Note Issuance Facilities:

(a) RM900 million (US\$237 million) non-redeemable note issuance facility entered into on May 13, 1999 under the Syariah Principle of Al-Murabahah. The facility has an availability period of five years during which the subsidiary may issue notes in multiples of RM1 million (US\$0.3 million) up to a maximum outstanding amount of RM900 million (US\$237 million). The notes have maturity periods ranging from one to thirty-six months and bear a yield ranging from 3.05% to 3.52% (March 31, 2000—3.12% to 3.85%) per annum. Total notes issued and outstanding as at year end amounted to RM800 million (US\$211 million) (March 31, 2000—RM600 million).

(b) RM500 million (US\$132 million) non-redeemable note issuance facility entered into on March 31, 1997 under the Syariah Principle of Al-Murabahah. The facility has an availability period of seven years during which the subsidiary may issue notes in multiples of RM0.5 million (US\$0.1 million) up to a maximum outstanding amount of RM500 million (US\$132 million). The notes have maturity periods ranging from one to twelve months and bear a yield ranging from 3.15% to 3.75% (March 31,

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2000—3.12% to 3.77%) per annum. Total notes issued and outstanding as at year end amounted to RM370 million (US\$97 million) (March 31, 2000—RM500 million).

(c) RM207 million (US\$54 million) non-redeemable note issuance facility entered into on March 5, 2000 under the Syariah Principle of Al-Murabahah. The facility has an availability period of seven years during which the subsidiary may issue notes in multiples of RM1 million (US\$0.3 million) up to a maximum outstanding amount of RM207 million (US\$54 million). The notes have maturity periods ranging from one month to seven years and bear a yield ranging from 2.89% to 3.81% (March 31, 2000—3.70% to 4.30%) per annum. Total notes issued and outstanding as at year end amounted to RM196 million (US\$52 million) (March 31, 2000—RM206 million).

The RM900 million (US\$237 million) and RM500 million (US\$132 million) non-redeemable note issuance facilities are classified as non-current even though certain notes are due to be settled within twelve months of the balance sheet date as the subsidiary can and will continue to utilize the facilities to finance its obligations on a long term basis.

**18. Term Loans**

	Group			Company						
	2000 RM	2001 RM	2001 US\$	2000 RM	2001 RM					
	(in millions)									
<b>Current</b>										
Term loans										
—secured .....	733	1,127	297	—	—					
—unsecured .....	1,603	4,353	1,145	434	2,976					
	<b>2,336</b>	<b>5,480</b>	<b>1,442</b>	<b>434</b>	<b>2,976</b>					
<b>Non-current</b>										
Term loans										
—secured .....	5,453	3,817	1,004	—	—					
—unsecured .....	32,605	28,488	7,497	24,619	21,945					
	<b>38,058</b>	<b>32,305</b>	<b>8,501</b>	<b>24,619</b>	<b>21,945</b>					
<i>Term and repayment schedule</i>										
<u>Group</u>	<u>Total</u> <u>RM</u>	<u>Under 1 Year</u> <u>RM</u>	<u>1-2 Years</u> <u>RM</u>	<u>2-5 Years</u> <u>RM</u>	<u>Over 5 Years</u> <u>RM</u>					
	(in millions)									
Secured term loans—6.00% to 20.75% (March 31, 2000—5.72% to 20.75%) .....	4,944	1,127	1,516	1,671	630					
Unsecured term loans—2.00% to 14.25% (March 31, 2000—2.00% to 14.25%) .....	32,841	4,353	3,444	13,530	11,514					
	<b>37,785</b>	<b>5,480</b>	<b>4,960</b>	<b>15,201</b>	<b>12,144</b>					

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<u>Group</u>	<u>Total</u>	<u>Under 1 Year</u>	<u>1-2 Years</u>	<u>2-5 Years</u>	<u>Over 5 Years</u>
	US\$	US\$	US\$ (in millions)	US\$	US\$
Secured term loans—6.00% to 20.75% (March 31, 2000—5.72% to 20.75%) .....	1,301	297	399	440	165
Unsecured term loans—2.00% to 14.25% (March 31, 2000—2.00% to 14.25%) .....	<u>8,642</u>	<u>1,145</u>	<u>906</u>	<u>3,561</u>	<u>3,030</u>
	<u>9,943</u>	<u>1,442</u>	<u>1,305</u>	<u>4,001</u>	<u>3,195</u>
<u>Company</u>	<u>Total</u>	<u>Under 1 Year</u>	<u>1-2 Years</u>	<u>2-5 Years</u>	<u>Over 5 Years</u>
	RM	RM	RM (in millions)	RM	RM
Unsecured term loans—2.00% to 8.88% (March 31, 2000—2.00% to 9.48%) .....	<u>24,921</u>	<u>2,976</u>	<u>1,445</u>	<u>10,417</u>	<u>10,083</u>
The unsecured term loans comprise:					
		<u>2000</u>		<u>2001</u>	
US Dollar Bond Issues					
6 $\frac{7}{8}$ % Bonds Due 2003 .....	US\$500.0 million			US\$500.0 million	
7 $\frac{1}{8}$ % Notes Due 2005 .....	US\$375.0 million			US\$375.0 million	
7 $\frac{3}{4}$ % Bonds Due 2015 .....	US\$625.0 million			US\$625.0 million	
6 $\frac{5}{8}$ % Notes Due 2001 .....	US\$600.0 million			US\$600.0 million	
7 $\frac{1}{8}$ % Notes Due 2006 .....	US\$800.0 million			US\$800.0 million	
7 $\frac{5}{8}$ % Bonds Due 2026 .....	US\$500.0 million			US\$500.0 million	
8 $\frac{7}{8}$ % Notes Due 2004 .....	US\$650.0 million			US\$650.0 million	
US dollar Term Loans* .....	US\$686.6 million			US\$1,131.6 million	
US dollar Term Loans*# .....	US\$2,382.1 million			US\$2,583.7 million	
Samurai Bonds					
1st Series 4.10% Due 2003 .....	¥50.0 billion			¥50.0 billion	
2nd Series 2.70% Due 2001 .....	¥8.0 billion			¥8.0 billion	
3rd Series 3.60% Due 2006 .....	¥14.0 billion			¥14.0 billion	
4th Series 2.15% Due 2003 .....	¥11.0 billion			¥11.0 billion	
5th Series 2.90% Due 2007 .....	¥11.0 billion			¥11.0 billion	
6th Series 3.40% Due 2013 .....	¥16.0 billion			¥16.0 billion	
7th Series 2.00% Due 2002 .....	¥20.0 billion			¥20.0 billion	
8th Series 2.40% Due 2004 .....	¥10.0 billion			¥10.0 billion	
9th Series 3.00% Due 2007 .....	¥10.0 billion			¥10.0 billion	
10th Series 5.90% Due 2004 .....	¥34.0 billion			¥34.0 billion	
11th Series 7.20% Due 2009 .....	¥17.0 billion			¥17.0 billion	
Yen Term Loans* .....	¥16.0 billion			¥16.0 billion	
ZAR Term Loans*# .....	ZAR466.5 million			ZAR466.5 million	

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	<u>2000</u>	<u>2001</u>
RM Term Loans*.....	RM779.6 million	RM409.6 million
RM Term Loans*# .....	RM2,158.7 million	RM985.8 million
Philippine Pesos Term Loans# .....	—	PHP54.0 million

\* These unsecured term loans bear interest at rates ranging from 2.00% to 14.25% (March 31, 2000—2.00% to 14.25%) per annum and are fully repayable at their various due dates from 2001 to 2014.

# These unsecured term loans were obtained by subsidiaries.

The secured term loans comprise:

	<u>2000</u>	<u>2001</u>	<u>Security</u>
	(in millions)		
US Dollar Term Loan .....	US\$ 60.5	—	Secured by way of a fixed charge over the property located at No. 112 in Gebeng Industrial Estate, Mukim of Sungai Karang, District of Kuantan, Pahang Darul Makmur and on a debenture creating a fixed and floating charge over all the assets of a subsidiary. These loans were fully repaid during the year.
RM Term Loan .....	RM 30.0	—	
US Dollar Term Loans ...	US\$ 487.8	US\$ 371.3	Secured by way of a mortgage over certain vessels, together with assignments of earnings, charter agreements and insurance of the relevant vessels of certain subsidiaries.
US Dollar Term Loan .....	US\$ 36.6	US\$ 36.6	Secured by way of a fixed charge over the interest of a foreign subsidiary in the Nkossa field in South Africa and the Haute Mer Licence and related assets and over cash and bank balances of RM11 million (US\$3 million) (ZAR23 million) (March 31, 2000—RM12 million) (ZAR21 million) held in an escrow account.
US Dollar Term Loans ...	US\$ 737.0	US\$ 737.0	Secured against proceeds from sales of crude oil and rental of pipelines of two subsidiaries.
US Dollar Term Loan .....	US\$ 88.0	US\$ 92.0	Secured against proceeds from rental of pipelines of a subsidiary.
US Dollar Term Loan .....	US\$ 78.8	US\$ 83.2	Secured against proceeds from sales of gas of a subsidiary.
ZAR Term Loans .....	ZAR2,536.0	ZAR1,535.0	Secured over plant and deposits of a foreign subsidiary.
RM Term Loans .....	RM 63.3	RM 63.3	Secured by way of a mortgage over three (March 31, 2000—three) vessels of a subsidiary.
Philippines Pesos Term Loans .....	—	PHP 250.0	Secured by way of a mortgage over the property, plant and equipment of a foreign subsidiary.

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The secured term loans bear interest at rates ranging from 6.00% to 20.75% (March 31, 2000—5.72% to 20.75%) per annum and are fully repayable at their various due dates from 2001 to 2008.

At balance sheet date, the amounts outstanding obtained by the Company and re-lent to its subsidiaries and associates are repayable as follows:

	<b>Company</b>	
	<b>2000</b>	<b>2001</b>
	RM	RM
(in millions)		
Term loans—Unsecured		
Subsidiaries		
—within twelve months .....	423	2,759
—after twelve months .....	<u>16,773</u>	<u>14,274</u>
	<u>17,196</u>	<u>17,033</u>
Group and Company		
	<b>2000</b>	<b>2001</b>
	RM	RM
(in millions)		
Associates		
—within twelve months .....	13	49
—after twelve months .....	<u>361</u>	<u>506</u>
	<u>374</u>	<u>555</u>
		133
		<u>146</u>

In connection with the long term borrowing facility agreements, the Group and the Company have agreed on the following significant covenants with the lenders:

***Company***

- (a) the amount of total liabilities of the Company shall not exceed at any given time the amount of total assets of the Company;
- (b) not to allow any material indebtedness (the aggregate amount exceeding US\$20 million or its equivalent in any other currency) for borrowed money of the Company to become due or capable of being declared due before its stated maturity, any material guarantee of the Company is not discharged at maturity or when validly called or the Company goes into default under, or commits a breach of, any instrument or agreement relating to any such indebtedness for borrowed money or guarantee and such default or breach remains unpaid or unremedied for a period of ten (10) business days;
- (c) 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 ten per cent (10%) of the consolidated net tangible assets; and
- (d) 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

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security interests) then outstanding which have not equally and rateably secured the total outstanding, would not exceed ten per cent (10%) of the Company's tangible net worth provided that, within 12 months after such sale and leaseback transaction, it applies to the retirement of indebtedness for borrowed money the repayment obligations in respect of which are at least pari passu with its repayment obligations hereunder and which are not secured by any security interest, an amount equal to the greater of:

- i) 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
- ii) the fair market value of the property or other assets so leased as determined by the Company.

***Subsidiaries***

- (a) the interest cover ratio of a borrowing subsidiary shall not be less than 3:1; and
- (b) the debt to equity ratio of a borrowing subsidiary shall not be more than 0.8:1.

**19. Islamic Debt Facilities**

	Group			Company	
	2000 RM	2001 RM	2001 US\$	2000 RM	2001 RM (in millions)
<b>Current</b>					
—secured					
Al-Bai'bithaman Ajil long term facilities .....	4	7	2	—	—
—unsecured					
Islamic Debt Securities .....	800	—	—	—	—
Al-Murabahah Commercial Papers.....	—	51	13	—	—
	<u>804</u>	<u>58</u>	<u>15</u>	<u>—</u>	<u>—</u>
<b>Non-current</b>					
—secured					
Al-Bai'bithaman Ajil long term facilities .....	71	50	13	—	—
—unsecured					
Al-Bai'bithaman Ajil long term facilities .....	500	500	132	—	—
Al-Murabahah Medium Term Notes .....	—	805	212	—	—
	<u>571</u>	<u>1,355</u>	<u>357</u>	<u>—</u>	<u>—</u>

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*Terms and repayment schedule*

<u>Group</u>	<u>Total</u> RM	Under	1-2	2-5	Over 5
		<u>1 Year</u> RM	<u>Years</u> RM	<u>Years</u> RM	<u>Years</u> RM
(in millions)					
Secured Islamic debt facilities					
Al-Bai'bithaman Ajil long-term facilities .....	57	7	8	27	15
Unsecured Islamic debt facilities					
Al-Bai'bithaman Ajil long-term facilities .....	500	—	—	500	—
Al-Murabahah Commercial Papers .....	51	51	—	—	—
Al-Murabahah Medium Term Notes .....	<u>805</u>	—	<u>405</u>	<u>400</u>	—
	<u>1,413</u>	<u>58</u>	<u>413</u>	<u>927</u>	<u>15</u>
Group	Total US\$	Under 1 Year US\$	1-2 Years US\$	2-5 Years US\$	Over 5 Years US\$
	(in millions)				
Secured Islamic debt facilities					
Al-Bai'bithaman Ajil long-term facilities .....	15	2	2	7	4
Unsecured Islamic debt facilities					
Al-Bai'bithaman Ajil long-term facilities .....	132	—	—	132	—
Al-Murabahah Commercial Papers .....	13	13	—	—	—
Al-Murabahah Medium Term Notes .....	<u>212</u>	—	<u>107</u>	<u>105</u>	—
	<u>372</u>	<u>15</u>	<u>109</u>	<u>244</u>	<u>4</u>

The Group entered into the following Islamic Debt Facilities:

**19.1 Unsecured redeemable Islamic debt securities**

A quoted subsidiary issued RM800 million (US\$211 million) nominal amount of Unsecured Redeemable Islamic Debt Securities together with 180 million detachable warrants on August 18, 1995 to partly settle a loan from the Company. The Unsecured Redeemable Islamic Debt Securities had a tenure of five years and were redeemed in full by the quoted subsidiary at their nominal amount on August 17, 2000. These securities bear a yield of 7.42% (March 31, 2000—7.42%) per annum.

**19.2 Al-Bai'bithaman Ajil long-term non-interest bearing facilities**

(a) The RM500 million (US\$132 million) Al-Bai'bithaman Ajil long term facility entered into by a quoted subsidiary is repayable in full on May 25, 2004 and bears a yield of 7.75% (March 31, 2000—7.75%) per annum. The loan outstanding as at year end amounted to RM500 million (US\$132 million) (March 31, 2000—RM500 million).

(b) The RM78 million (US\$21 million) Al-Bai'bithaman Ajil long term facility entered into by a subsidiary was initially repayable by 40 quarterly equal instalments of RM3 million (US\$1 million) each (inclusive of profit share margin of 8% (March 31, 2000—8.0%) per annum) commencing 25 months from September 30, 1997. During the year, the subsidiary made a prepayment of RM10 million (US\$3 million). This facility is now repayable by 28 equal quarterly instalments of RM3 million (US\$1 million) each

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commencing from September 1, 2000 (inclusive of profit share margin of 8.8% per annum). This facility is secured by way of floating charges over the property, plant and equipment of a sub-subsidiary. The net book value at March 31, 2001 of the assets charged is RM154 million (US\$41 million) (March 31, 2000—RM167 million). The loan outstanding as at year end amounted to RM57 million (US\$15 million) (March 31, 2000—RM75 million).

**19.3 *Al-Murabahah Commercial Paper and Medium-Term Notes (Unsecured)***

A quoted subsidiary issued RM462 million (US\$122 million) nominal amount of Al-Murabahah Commercial Papers and RM805 million (US\$212 million) nominal amount of Al-Murabahah Medium Term Notes during the year under the Syariah Principle of Al-Murabahah. The commercial papers and medium-term notes have maturity periods ranging from three months to five years and bear a yield ranging from 2.84% to 5.31% (2000—Nil) per annum. Total commercial papers and medium-term notes outstanding as at year end amounted to RM51 million (US\$13 million) (2000—Nil) and RM805 million (US\$212 million) (2000—Nil), respectively.

**20. Other Long-Term Liabilities and Provisions**

	Group			Company	
	2000 RM	2001 RM	2001 US\$	2000 RM	2001 RM
	(in millions)			(in millions)	
Deferred taxation .....	2,336	2,390	629	—	—
Removal of offshore installations .....	282	390	103	283	328
Provision for exploration cost .....	596	584	154	596	584
Provision for dry docking .....	126	141	37	—	—
Provision for plant turnaround .....	169	157	41	—	—
Post retirement medical aid .....	—	99	26	—	—
	<u>3,509</u>	<u>3,761</u>	<u>990</u>	<u>879</u>	<u>912</u>

Subject to agreement by the Inland Revenue Board, the Company has the following which has not been accounted for as a deferred tax benefit.

	2000 RM	2001 RM
	(in millions)	
Other timing differences .....	1,287	2,421

**21. Share Capital**

	Company	
	2000 RM	2001 RM
	(in millions)	
Authorized:		
500,000 ordinary shares of RM1,000 each .....	<u>500</u>	<u>500</u>
Issued and fully paid:		
100,000 ordinary shares of RM1,000 each .....	<u>100</u>	<u>100</u>

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**22. Reserves**

	Group			Company	
	2000	2001	2001	2000	2001
	RM	RM	US\$	RM	RM
(in millions)					
<b>Non-Distributable</b>					
Capital reserves					
Balance at April 1 .....	826	840	221	—	—
Share of reserves of associates .....	1	(2)	—	—	—
Transfer from unappropriated profits .....	13	6	1	—	—
Balance at March 31 .....	<u>840</u>	<u>844</u>	<u>222</u>	—	—
Reserve/(Goodwill) on consolidation					
Balance at April 1 .....	135	(24)	(6)	—	—
Additions during the year .....	(159)	(47)	(12)	—	—
Balance at March 31 .....	<u>(24)</u>	<u>(71)</u>	<u>(18)</u>	—	—
Exchange Difference Account					
Balance at April 1 .....	(15)	(181)	(47)	—	—
Net movement from exchange differences .....	(166)	(516)	(136)	—	—
Balance at March 31 .....	<u>(181)</u>	<u>(697)</u>	<u>(183)</u>	—	—
Unrealized gains/(losses) on translation of long-term assets and liabilities					
Balance at April 1 .....	(5,515)	(4,793)	(1,261)	(2,343)	(2,205)
Unrealized gains/(losses) during the year .....	(509)	686	181	(135)	273
Amortization during the year .....	1,231	1,008	265	273	138
Minority shareholders' share of unrealized loss on translation of long-term assets and liabilities .....	—	158	42	—	—
Balance at March 31 .....	<u>(4,793)</u>	<u>(2,941)</u>	<u>(773)</u>	<u>(2,205)</u>	<u>(1,794)</u>
<b>Distributable</b>					
General reserve					
Balance at April 1/March 31 .....	<u>12,000</u>	<u>12,000</u>	<u>3,158</u>	<u>12,000</u>	<u>12,000</u>
Unappropriated profits					
Balance at April 1 .....	23,827	32,317	8,504	16,621	22,165
Net profit for the year .....	12,604	16,488	4,338	9,644	11,244
Transfer to capital redemption reserve of a subsidiary .....	(12)	(6)	(2)	—	—
Transfer to statutory reserve of a subsidiary .....	(2)	—	—	—	—
Dividends .....	<u>(4,100)</u>	<u>(4,100)</u>	<u>(1,079)</u>	<u>(4,100)</u>	<u>(4,100)</u>
Balance at March 31 .....	<u>32,317</u>	<u>44,699</u>	<u>11,761</u>	<u>22,165</u>	<u>29,309</u>
	<u>40,159</u>	<u>53,834</u>	<u>14,167</u>	<u>31,960</u>	<u>39,515</u>

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Deferred taxation in respect of the revaluation of property, plant and equipment of the Group amounting to RM62,000 (US\$16,315) (March 31, 2000—RM62,000) has not been provided for as these properties are held for long-term use.

Pursuant to Section 84 of the Petroleum (Income Tax) Act 1967, dividends paid out on income derived from petroleum operations are not chargeable to income tax. Subject to agreement by Inland Revenue Board, the Company has sufficient income derived from petroleum operations, Section 108 tax credit and tax exempt income to distribute all its distributable reserves at March 31, 2001, if paid out as dividends.

**23. Minority Interests**

This consists of the minority shareholders' proportion of share capital and reserves of subsidiaries.

**24. Operating Profit**

<u>Group</u>	<u>1999</u> RM	<u>2000</u> RM (in millions)	<u>2001</u> RM	<u>2001</u> US\$
Revenue				
—sales of oil and gas.....	36,059	53,754	66,857	17,594
—sales of utilities.....	89	97	155	41
—sales of general merchandise.....	<u>1,060</u>	<u>1,054</u>	<u>57</u>	<u>15</u>
	<u>37,208</u>	<u>54,905</u>	<u>67,069</u>	<u>17,650</u>
—rendering of services .....	270	416	714	188
—shipping and shipping related .....	<u>2,313</u>	<u>2,938</u>	<u>3,371</u>	<u>887</u>
	<u>2,583</u>	<u>3,354</u>	<u>4,085</u>	<u>1,075</u>
—dividend income				
in Malaysia (Quoted)				
—subsidiaries .....	—	—	—	—
—associates.....	—	—	—	—
—investments .....	3	5	8	2
in Malaysia (Unquoted)				
—subsidiaries .....	—	—	—	—
—associates.....	—	—	—	—
—investment.....	—	—	4	1
outside Malaysia (Quoted)				
—investments .....	—	—	26	7
outside Malaysia (Unquoted)				
—subsidiaries .....	—	—	—	—
—investments .....	<u>6</u>	<u>—</u>	<u>12</u>	<u>3</u>
	<u>9</u>	<u>5</u>	<u>50</u>	<u>13</u>
—interest income .....	<u>2,506</u>	<u>2,364</u>	<u>2,147</u>	<u>565</u>
	<u>42,306</u>	<u>60,628</u>	<u>73,351</u>	<u>19,303</u>

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<u>Group</u>	<u>1999</u> RM	<u>2000</u> RM (in millions)	<u>2001</u> RM	<u>2001</u> US\$
Cost of revenue				
—cost of sales .....	(19,722)	(26,120)	(31,022)	(8,164)
—cost of services .....	(3,581)	(3,718)	(3,604)	(948)
	<u>(23,303)</u>	<u>(29,838)</u>	<u>(34,626)</u>	<u>(9,112)</u>
Gross profit .....	19,003	30,790	38,725	10,191
Selling and distribution expenses .....	(907)	(1,675)	(2,061)	(542)
Administration expenses .....	(3,264)	(3,819)	(5,224)	(1,375)
Other operating expenses .....	(1,814)	(2,129)	(1,402)	(369)
Other operating income .....	<u>928</u>	<u>976</u>	<u>1,756</u>	<u>462</u>
Operating profit .....	<u>13,946</u>	<u>24,143</u>	<u>31,794</u>	<u>8,367</u>
Operating profit is arrived at after charging				
Amortization of expenditure carried forward .....	29	24	—	—
Audit fees .....	5	7	7	2
Depreciation of property, plant and equipment .....	2,557	3,559	4,247	1,118
Directors' remuneration				
Emoluments .....	2	2	2	1
Fees .....	1	1	1	—
Loss on disposal of partial shareholding in a subsidiary .....	—	75	—	—
Loss on realized foreign exchange				
Non-trade .....	337	128	47	12
Loss on unrealized foreign exchange				
Trade .....	—	1	6	2
Non-trade .....	1,467	1,146	1,091	287
Property, plant and equipment written off .....	91	31	77	20
Operating lease rental .....	393	383	422	111
Property, plant and equipment expensed off .....	23	27	37	10
Provision for				
Doubtful debts .....	34	337	356	94
Inventory obsolescence .....	17	15	—	—
Exploration cost .....	200	250	250	66
Diminution in value—associates .....	—	—	100	26
Dry docking .....	131	173	206	54
Plant turnaround expenses .....	75	79	83	22
Rental of land and buildings .....	399	163	166	44
Rental of plant, machinery, equipment and motor vehicles .....	149	178	181	48
Research and development expenditure .....	—	118	61	16

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<u>Group</u>	<u>1999</u> RM	<u>2000</u> RM (in millions)	<u>2001</u> RM	<u>2001</u> US\$
Contribution to retirement benefits .....	31	43	36	10
Write down of inventories to net realizable value .....	—	—	36	10
Written off				
Bad debts .....	—	13	29	8
Expenditure carried forward .....	—	—	59	16
Inventories .....	6	10	24	6
Contribution to Tabung Amanah Negara .....	<u>100</u>	<u>100</u>	<u>100</u>	<u>26</u>
and crediting				
Bad debts recovered .....	5	—	1	—
Gain on disposal of property, plant and equipment .....	33	13	33	9
Gain on disposal of partial shareholdings in subsidiaries and associates .....	—	—	202	53
Gain on realized foreign exchange				
Trade .....	9	2	4	1
Gain on unrealized foreign exchange				
Trade .....	8	—	—	—
Provision for doubtful debts written back .....	—	17	1	—
Reversal of provision for diminution in value of loan stocks .....	—	—	32	8
Rental income on land and buildings .....	185	183	175	46
Other interest income				
Loan stocks .....	9	9	8	2
Others .....	<u>134</u>	<u>274</u>	<u>285</u>	<u>75</u>
<u>Company</u>	<u>1999</u> RM	<u>2000</u> RM (in millions)	<u>2001</u> RM	
Revenue				
—sales of oil and gas .....	15,207	24,389	32,408	
—sales of utilities .....	—	—	—	
—sales of general merchandise .....	—	—	—	
	<u>15,207</u>	<u>24,389</u>	<u>32,408</u>	
—rendering of services .....	3	3	5	
—shipping and shipping related .....	—	—	—	
	3	3	5	
—dividend income				
in Malaysia (Quoted)				
—subsidiaries .....	422	603	283	
—associates .....	—	—	4	

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<u>Company</u>	<u>1999</u> RM	<u>2000</u> RM (in millions)	<u>2001</u> RM
—investments .....	3	5	8
in Malaysia (Unquoted)			
—subsidiaries .....	2,344	1,996	3,187
—associates.....	—	1	2
—investments .....	—	—	—
outside Malaysia (Quoted)			
—investments .....	—	—	—
outside Malaysia (Unquoted)			
—subsidiaries .....	55	9	10
—investments .....	6	—	3
	<u>2,830</u>	<u>2,614</u>	<u>3,497</u>
—interest income .....	<u>1,580</u>	<u>1,356</u>	<u>1,055</u>
	<u>19,620</u>	<u>28,362</u>	<u>36,965</u>
Cost of revenue			
—cost of sales .....	(7,786)	(11,787)	(14,769)
—cost of services .....	—	—	—
	<u>(7,786)</u>	<u>(11,787)</u>	<u>(14,769)</u>
Gross profit .....	11,834	16,575	22,196
Selling and distribution expenses .....	(217)	(212)	(316)
Administration expenses .....	(1,033)	(2,092)	(3,412)
Other operating expenses .....	(717)	(392)	(347)
Other operating income .....	<u>1,046</u>	<u>294</u>	<u>520</u>
Operating profit .....	<u>10,913</u>	<u>14,173</u>	<u>18,641</u>
Operating profit is arrived at after charging			
Amortization of expenditure carried forward .....	—	—	—
Audit fees .....	1	1	1
Depreciation of property, plant and equipment .....	123	140	152
Directors' remuneration			
Emoluments .....	1	2	2
Fees .....	—	—	—
Loss on disposal of partial shareholding in a subsidiary .....	—	—	—
Loss on realized foreign exchange			
Non-trade .....	319	121	47
Loss on unrealized foreign exchange			
Trade .....	—	—	—
Non-trade .....	417	200	249

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**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

<u>Company</u>	<u>1999</u> RM	<u>2000</u> RM (in millions)	<u>2001</u> RM
Property, plant and equipment written off.....	—	—	26
Operating lease rental .....	245	295	306
Property, plant and equipment expensed off.....	6	2	3
Provision for			
Doubtful debts .....	—	—	548
Inventory obsolescence .....	—	—	—
Exploration cost .....	200	250	250
Diminution in value—associates.....	—	—	93
Dry docking .....	—	—	—
Plant turnaround expenses .....	—	—	—
Rental of land and buildings.....	251	10	11
Rental of plant, machinery, equipment and motor vehicles .....	2	4	5
Research and development expenditure.....	—	45	61
Contribution to retirement benefits .....	9	9	10
Write down of inventories to net realizable value .....	—	—	—
Written off			
Bad debts .....	—	—	—
Expenditure carried forward .....	—	—	—
Inventories .....	—	—	—
Contribution to Tabung Amanah Negara .....	<u>100</u>	<u>100</u>	<u>100</u>
and crediting			
Bad debts recovered.....	2	—	—
Gain on disposal of property, plant and equipment ..	1	1	1
Gain on disposal of partial shareholdings in subsidiaries and associates.....	—	—	92
Gain on realized foreign exchange			
Trade .....	—	—	—
Gain on unrealized foreign exchange			
Trade .....	18	—	—
Provision for doubtful debts written back .....	—	—	—
Reversal of provision for diminution in value of loan stocks.....	—	—	32
Rental income on land and buildings .....	76	125	108
Other interest income			
Loan stocks.....	9	9	8
Others .....	<u>87</u>	<u>70</u>	<u>191</u>

The estimated monetary value of directors' benefits-in-kind is RM97,100 (March 31, 2000—RM99,300).

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**25. Employees Information**

<u>Group</u>	<u>1999</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2001</u> US\$
	(in millions)			
Staff costs .....	*	<u>1,581</u>	<u>1,733</u>	<u>456</u>
<hr/>				
<u>Company</u>	<u>1999</u> RM	<u>2000</u> RM	<u>2001</u> RM	
	(in millions)			
Staff costs .....	*	<u>193</u>	<u>226</u>	

The number of employees of the Group and of the Company (including Directors) at the end of the year was 23,441 (March 31, 2000—23,430) and 2,321 (March 31, 2000—2,591), respectively.

\* This information is not provided in the audited financial statements as it was not a requirement of the applicable approved accounting standards in Malaysia for the financial statements for the year ended March 31, 1999.

**26. Operating Leases**

Total future minimum lease payments under non-cancellable operating leases are as follows:

<u>Group</u>	<u>1999</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2001</u> US\$
	(in millions)			
Less than one year .....	330	527	479	126
Between one and five years .....	1,130	1,416	1,621	427
More than five years .....	<u>2,142</u>	<u>2,293</u>	<u>2,351</u>	<u>619</u>
	<u>3,602</u>	<u>4,236</u>	<u>4,451</u>	<u>1,172</u>
<hr/>				
<u>Company</u>	<u>1999</u> RM	<u>2000</u> RM	<u>2001</u> RM	
	(in millions)			
Less than one year .....	245	295	318	
Between one and five years .....	980	1,180	1,333	
More than five years .....	<u>2,083</u>	<u>2,213</u>	<u>2,478</u>	
	<u>3,308</u>	<u>3,688</u>	<u>4,129</u>	

The Group leases a number of buildings and floating production storage offloading vessels under operating leases. The leases typically run for an initial period ranging from 5 to 15 years, with an option to renew the leases/purchase the assets after the initial period. None of the leases include contingent rentals.

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**27. Financing Costs**

<u>Group</u>		<b>1999</b> RM	<b>2000</b> RM	<b>2001</b> RM	<b>2001</b> US\$
Interest expense					
Borrowings					
Term loans .....	2,036	2,464	2,869	755	
Bankers' acceptances .....	—	2	1	—	
Profit share margin					
Islamic Debt Facilities					
Al-Bai'bithaman Ajil long term facilities .....	5	7	6	2	
Al-Murabahah Commercial Papers and Medium-Term Notes .....	—	—	27	7	
Murabahah Note Issuance Facilities .....	<u>30</u>	<u>25</u>	<u>25</u>	<u>7</u>	
	<u>2,071</u>	<u>2,498</u>	<u>2,928</u>	<u>771</u>	
<u>Company</u>		<b>1999</b> RM	<b>2000</b> RM	<b>2001</b> RM	
Interest expense					
Borrowings					
Term loans .....	521	520	649		
Bankers' acceptances .....	—	—	—		
Profit share margin					
Islamic Debt Facilities					
Al-Bai'bithaman Ajil long term facilities .....	—	—	—		
Al-Murabahah Commercial Papers and Medium-Term Notes .....	—	—	—		
Murabahah Note Issuance Facilities .....	—	—	—		
	<u>521</u>	<u>520</u>	<u>649</u>		

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**28. Tax Expenses**

<u>Group</u>	<u>1999</u> RM	<u>2000</u> RM	<u>2001</u> RM	<u>2001</u> US\$
	(in millions)			
Current tax expenses				
Malaysia				
Current year .....	3,535	6,549	9,854	2,593
Prior year .....	(28)	(486)	1	—
Overseas				
Current year .....	20	275	250	66
	<u>3,527</u>	<u>6,338</u>	<u>10,105</u>	<u>2,659</u>
Deferred tax expense				
Malaysia				
Current year .....	27	644	200	53
Overseas				
Current year .....	—	(20)	(60)	(15)
Prior year .....	—	—	1	—
	<u>27</u>	<u>624</u>	<u>141</u>	<u>38</u>
Tax expense on share of profit of associates .....	9	19	51	13
	<u>3,563</u>	<u>6,981</u>	<u>10,297</u>	<u>2,710</u>
<u>Company</u>	<u>1999</u> RM	<u>2000</u> RM	<u>2001</u> RM	
	(in millions)			
Current tax expenses				
Malaysia				
Current year .....	3,047	4,463	6,748	
Prior year .....	(26)	(454)	—	
Overseas				
Current year .....	—	—	—	
	<u>3,021</u>	<u>4,009</u>	<u>6,748</u>	
Deferred tax expense				
Malaysia				
Current year .....	—	—	—	
Overseas				
Current year .....	—	—	—	
Prior year .....	—	—	—	
	<u>—</u>	<u>—</u>	<u>—</u>	
Tax expense on share of profit of associates .....	—	—	—	
	<u>3,021</u>	<u>4,009</u>	<u>6,748</u>	

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The Group's and Company's effective tax rate are higher than the *prima facie* corporate tax rate as the profit derived from petroleum operations are taxable at a higher tax rate under the Petroleum (Income Tax) Act 1967.

**29. Dividends**

	<b>Group</b>			
	<b>1999</b> RM	<b>2000</b> RM	<b>2001</b> RM	<b>2001</b> US\$
Proposed final tax exempt dividend of RM41,000 (March 31, 2000—RM41,000) per ordinary share under Section 84 of the Petroleum (Income Tax) Act 1967 .....	<u>4,100</u>	<u>4,100</u>	<u>4,100</u>	<u>1,079</u>

**30. Acquisition of Subsidiaries**

(a) PETRONAS Energy Philippines Inc. (“PEPI”)

On April 1, 2000, a subsidiary acquired an additional 20% equity shareholding in PEPI for a total purchase consideration of PHP159 million (RM15 million) (US\$4 million). As a result, PEPI became a subsidiary of the Group. The acquisition was accounted for using the acquisition method of accounting.

(b) Sea Maestro Shipping Limited (“Sea Maestro”)

On September 30, 2000, a quoted subsidiary acquired an additional 50% equity shareholding in Sea Maestro, an associate of the quoted subsidiary. As a result, Sea Maestro became a subsidiary of the Group. The purchase consideration of RM6 million (US\$2 million) was satisfied by the disposal of the entire equity shareholding in an associate, Sea Master Shipping Limited for RM7 million (US\$2 million) and a cash receipt of RM1 million (US\$0.3 million).

(c) Leo Shipping Private Limited (“Leo Shipping”)

On January 31, 2001, a quoted subsidiary acquired an additional 50% equity shareholding in Leo Shipping, an associate of the quoted subsidiary for a purchase consideration of RM3 million (US\$1 million). As a result, Leo Shipping became a subsidiary of the Group.

(d) Zenex Oil (Pty.) Limited (“Zenex”)

In the previous year, a subsidiary acquired 100% equity shareholding in Zenex for a total purchase consideration of ZAR5 million (RM285 million) (US\$75 million).

The effect of the above acquisitions and disposal on the result of the Group have not been disclosed as it is not material to the Group.

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The effect of the above acquisitions on the cash flows and fair values of assets and liabilities acquired are as follows:

	<b>1999</b> <b>RM</b>	<b>2000</b> <b>RM</b> (in millions)	<b>2001</b> <b>RM</b>	<b>2001</b> <b>US\$</b>
Property, plant and equipment .....	10,701	74	77	20
Long-term receivables .....	—	2	—	—
Current assets .....	3,776	92	47	12
Current liabilities .....	(2,662)	(101)	(90)	(24)
Borrowings .....	(3,473)	—	(46)	(12)
Other long-term liabilities and provisions .....	(817)	—	—	—
Minority interest at the date of acquisition .....	<u>(2,463)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	5,062	67	(12)	(4)
Add: Interest previously held and classified as associates .....	<u>(3,183)</u>	<u>—</u>	<u>13</u>	<u>4</u>
Fair value of net assets acquired .....	1,879	67	1	—
Add: (Reserve)/Goodwill on consolidation .....	<u>(175)</u>	<u>218</u>	<u>8</u>	<u>2</u>
	1,704	285	9	2
Add: Consideration satisfied by shares in an associate .....	<u>—</u>	<u>—</u>	<u>7</u>	<u>2</u>
Purchase consideration .....	1,704	285	16	4
Less: Cash and cash equivalents of subsidiaries acquired .....	<u>(1,278)</u>	<u>(9)</u>	<u>(18)</u>	<u>(4)</u>
Cash flow on acquisition net of cash acquired .....	<u>426</u>	<u>276</u>	<u>(2)</u>	<u>—</u>

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**31. Commitments**

Outstanding commitments at balance sheet date not provided for in the financial statements are:

	<b>Group</b>			<b>Company</b>	
	<b>2000</b> RM	<b>2001</b> RM	<b>2001</b> US\$ (in millions)	<b>2000</b> RM	<b>2001</b> RM (in millions)
<b>Property, plant and equipment</b>					
Approved and contracted for .....	10,356	8,076	2,125	368	201
Approved but not contracted for .....	<u>11,712</u>	<u>4,875</u>	<u>1,283</u>	<u>560</u>	<u>240</u>
	<u><u>22,068</u></u>	<u><u>12,951</u></u>	<u><u>3,408</u></u>	<u><u>928</u></u>	<u><u>441</u></u>
<b>Share of capital expenditure of joint ventures</b>					
Approved and contracted for .....	5,310	6,231	1,640	—	—
Approved but not contracted for .....	<u>11,399</u>	<u>8,853</u>	<u>2,330</u>	<u>—</u>	<u>—</u>
	<u><u>16,709</u></u>	<u><u>15,084</u></u>	<u><u>3,970</u></u>	<u><u>—</u></u>	<u><u>—</u></u>
	<u><u>38,777</u></u>	<u><u>28,035</u></u>	<u><u>7,378</u></u>	<u><u>928</u></u>	<u><u>441</u></u>
<b>Investment in shares</b>					
Approved and contracted for .....	1,031	—	—	1,031	—
Approved but not contracted for .....	<u>2,285</u>	<u>2</u>	<u>—</u>	<u>2,285</u>	<u>2</u>
	<u><u>3,316</u></u>	<u><u>2</u></u>	<u><u>—</u></u>	<u><u>3,316</u></u>	<u><u>2</u></u>
	<u><u>42,093</u></u>	<u><u>28,037</u></u>	<u><u>7,378</u></u>	<u><u>4,244</u></u>	<u><u>443</u></u>

In the previous year, the Company had commitments to subscribe for shares in subsidiaries amounting to RM2,368 million (US\$623 million) to fund their capital commitments.

The Group and the Company also have commitments to subscribe for shares in associates amounting to RM1,880 million (US\$495 million) (March 31, 2000—Nil) and RM85 million (US\$22 million) (March 31, 2000—RM490 million), respectively, to fund their capital commitments.

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**32. Contingent Liabilities**

	Group			Company	
	2000 RM	2001 RM	2001 US\$	2000 RM	2001 RM
	(in millions)			(in millions)	
<b>Unsecured</b>					
Guarantees for loan facilities given to subsidiaries and associates .....	54	512	135	4,227	4,619
Guarantees for banking facilities given to third party agents .....	4	6	2	—	—
Claims filed against subsidiaries by third parties in respect of cost incurred for the turbular handling services provided, storage of material and construction of pipeline .....	18	107	28	—	—
Claims filed against a subsidiary by a buyer on non performance of its contractual obligation .....	—	17	4	—	—
Uncertainty of the recoverability of a debt in a foreign subsidiary .....	—	99	26	—	—
	<u>76</u>	<u>741</u>	<u>195</u>	<u>4,227</u>	<u>4,619</u>

During the year, a state government filed a legal suit against the Company claiming that it is entitled to certain cash payments arising out of the production of crude oil and gas from the continental shelf offshore of the state concerned.

**33. Significant Related Party Transactions**

Other than as disclosed elsewhere in the notes to the financial statements, the significant related party transactions are as follows:

	Company		
	1999 RM	2000 RM	2001 RM
	(in millions)		
<b>Subsidiaries</b>			
Sale of crude oil, petroleum products and natural gas .....	(5,560)	(8,784)	(14,180)
Interest receivable from subsidiaries .....	(61)	(44)	(36)
Rental income on buildings .....	(55)	(59)	(58)
Purchase of crude oil and natural gas .....	3,039	4,605	6,150
Crude and gas processing fee payable .....	1,596	1,835	1,647
Exploration cost borne by the Company .....	27	452	277
Rental of facilities .....	—	50	50
Legal fees borne by the Company .....	<u>—</u>	<u>—</u>	<u>21</u>

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	Group and Company			
	1999	2000	2001	2001
	RM	RM	RM	US\$
Associates				(in millions)
Rental expense on buildings .....	245	245	245	65

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.

#### **34. Segmental Information**

Segment information is presented in respect of the Group's business and geographical segments.

Intersegment transactions have been entered into in the normal course of business and have been established on a commercial basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

##### ***Business segments***

The Group comprises the following main business segments:

Oil and gas .....	Exploration, development and production of oil and gas and the refining, processing, marketing and distribution of petroleum and petrochemical products.
Shipping .....	Shipping and shipping related activities.

##### ***Geographical segments***

The oil and gas segments operates mainly in two principal geographical areas namely Malaysia and Africa. The shipping business segment operates in Malaysia and a number of countries (rest of the world).

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	Oil and Gas			Shipping			Eliminations			Consolidated			
	2000	2001	2001	2000	2001	2001	2000	2001	2001	2000	2001	2001	
	RM	RM	US\$ (in millions)	RM	RM	US\$ (in millions)	RM	RM	US\$ (in millions)	RM	RM	US\$ (in millions)	
<b>Business Segments</b>													
Revenue from external customers.....	57,690	69,980	18,416	2,938	3,371	887	—	—	—	60,628	73,351	19,303	
Inter-segment revenue .....	—	—	—	2,412	2,476	652	(2,412)	(2,476)	(652)	—	—	—	
Total revenue .....	57,690	69,980	18,416	5,350	5,847	1,539	(2,412)	(2,476)	(652)	60,628	73,351	19,303	
Operating profit.....	22,580	29,981	7,890	1,563	1,813	477	—	—	—	24,143	31,794	8,367	
Financing costs .....										(2,498)	(2,928)	(771)	
										21,645	28,866	7,596	
Share of (loss)/profit of associates .....	(82)	147	39	48	16	4	—	—	—	(34)	163	43	
Profit before taxation .....										21,611	29,029	7,639	
Segment assets .....	102,795	118,772	31,256	13,370	13,751	3,619	—	—	—	116,165	132,523	34,875	
Investment in associates....	4,903	6,181	1,627	503	336	88	—	—	—	5,406	6,517	1,715	
Total assets .....	107,698	124,953	32,883	13,873	14,087	3,707	—	—	—	121,571	139,040	36,590	
 <b>Geographical Segments</b>													
	Malaysia			Africa			Rest of the World			Eliminations			Consolidated
	2000	2001	2001	2000	2001	2001	2000	2001	2001	2000	2001	2001	
	RM	RM	US\$ (in millions)	RM	RM	US\$ (in millions)	RM	RM	US\$ (in millions)	RM	RM	US\$ (in millions)	
Revenue from external customers.....	41,096	50,368	13,255	10,491	11,322	2,980	9,041	11,661	3,068	—	—	—	
Inter-segment revenue.....	—	—	—	27	28	8	626	3,703	975	(653)	(3,731)	(983)	
Total revenue .....	41,096	50,368	13,255	10,518	11,350	2,988	9,667	15,364	4,043	(653)	(3,731)	(983)	
Operating profit.....	21,911	28,854	7,593	1,174	1,523	401	1,058	1,417	373	—	—	—	
Financing costs .....										(2,498)	(2,928)	(771)	
										21,645	28,866	7,596	
Share of (loss)/profit of associates.....	(56)	177	46	(4)	—	—	26	(14)	(3)	—	—	—	
Profit before taxation										21,611	29,029	7,639	
Segment assets .....	89,425	104,173	27,414	9,284	8,537	2,247	17,456	19,813	5,214	—	—	—	
Investment in associates .....	4,590	5,647	1,486	10	95	25	806	775	204	—	—	—	
Total assets .....	94,015	109,820	28,900	9,294	8,632	2,272	18,262	20,588	5,418	—	—	—	
										121,571	139,040	36,590	

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**35. Joint Ventures**

Details of significant jointly controlled assets are shown below:

<u>Name</u>	<b>Proportion of Ownership Interest</b>	
	<b>March 31, 2001</b> %	<b>March 31, 2000</b> %
1995 Joint Venture—Peninsular Malaysia .....	22.0	22.0
Baram Delta Joint Venture—Sarawak .....	50.0	50.0
Blocks 01 and 02—Vietnam .....	85.0	85.0
Blocks 1, 2 and 4—Sudan .....	30.0	30.0
Block 2764.4—Pakistan .....	60.0	60.0
Block 425, Zirara Permit—Algeria .....	50.0	50.0
Block A-18—Malaysia—Thailand Joint Development Area (“JDA”) ....	50.0	50.0
Block B-17—JDA .....	50.0	50.0
Block C-19—JDA .....	50.0	50.0
Block M10—Myanmar .....	52.9	52.9
Blocks M12, M13 and M14—Myanmar .....	30.0	30.0
Doba Basin .....	35.0	35.0
GPSC Joint Venture—Peninsular Malaysia .....	50.0	50.0
Lake Chad Basin .....	35.0	35.0
PM-9 Joint Venture—Peninsular Malaysia .....	60.0	60.0
Sirri A—Iran .....	40.0	40.0
Sirri E—Iran .....	40.0	40.0
South Pars—Iran .....	30.0	30.0

**36. Production Sharing Contracts**

The Petroleum Development Act of 1974 vests the entire ownership, rights, powers, liberties and privileges of exploiting petroleum resources on land and offshore Malaysia in PETRONAS. The exploitation by PETRONAS of the petroleum resources is carried out by means of production sharing contracts with international oil and gas companies and with its subsidiaries.

**36.1 Research cess, supplementary payments and crude oil/gas entitlement**

The determination of research cess, supplementary payments and PETRONAS' entitlements to crude oil/gas produced subsequent to December 31, 1992 have been based on the returns submitted by contractors and are dependent on agreement being reached on the method of valuation of crude oil/gas and the quantum of costs incurred and claimed by contractors subject to the maximum rate provided under the production sharing contracts for the year. The Company's entitlements to crude oil and natural gas are taken up as income on the basis of liftings and sales respectively made by the Company.

**36.2 Property, plant and equipment**

Under the production sharing contracts, title to all equipment and other assets purchased or acquired by oil contractors exclusively for the purpose of petroleum operations, and which costs are recoverable as cost

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oil/gas, has passed to PETRONAS. The value of these assets are not taken up in the financial statements of PETRONAS except for the assets of a subsidiary who is also a contractor to PETRONAS under the production sharing contracts.

**36.3 Inventories**

Under the production sharing contracts, title to all crude oil held in inventories by the oil contractors lies with PETRONAS and title to the contractors' entitlement passes only upon delivery at point of export.

**37. Subsidiaries and Activities**

	Effective Percentage Holding March 31,		<u>Principal Activities</u>
	<u>2000</u>	<u>2001</u>	
<b>Companies Incorporated in Malaysia</b>			
Aromatics Malaysia Sdn. Bhd. ....	70.0	70.0	Production and sale of aromatics products.
Asia LNG Transport Sdn. Bhd.# ....	31.7	31.7	Shipping.
Asia LNG Transport Dua Sdn. Bhd.# ....	31.7	31.7	Shipping.
Asean Bintulu Fertilizer Sdn. Bhd. ....	63.5	63.5	Production and sale of urea and ammonia.
Ethylene Malaysia Sdn. Bhd. ....	72.5	72.5	Production and sale of ethylene.
Gas District Cooling (M) Sdn. Bhd.# ....	95.8	95.8	Own and operate gas-fired district cooling plants.
Gas District Cooling (KLIA) Sdn. Bhd.# ....	72.5	72.5	Own and operate gas-fired district cooling plants.
Gas District Cooling (Putrajaya) Sdn. Bhd.# ....	95.8	95.8	Own and operate gas-fired district cooling plants.
Institute of Technology Petronas Sdn. Bhd.# ....	100.0	100.0	Institute of higher learning.
Kertih Port Sdn. Bhd.# ....	100.0	100.0	Own and operate a port.
Kuala Lumpur Aviation Fuelling System Sdn. Bhd.	45.0	45.0	Provision of aviation fuelling services.
Kuantan Terminals Sdn. Bhd. ....	100.0	100.0	Own and operate bulk chemical storage and handling facilities.
MISC Agencies Sdn. Bhd.# ....	62.1	62.1	Shipping agent and warehousing.
MISC Agencies (Terengganu) Sdn. Bhd.# ....	62.1	62.1	Shipping agent.
MISC Agencies (Sarawak) Sdn. Bhd.# ....	40.4	40.4	Shipping agent.
MISC Enterprises Holdings Sdn. Bhd.# ....	62.1	62.1	Investment holding company.
MISC Integrated Logistics Sdn. Bhd. (formerly known as MISC Engineering & Marine Services Sdn. Bhd.)# ....	62.1	62.1	Container and prime mover repairs, container depot and purchasing of ship stores.
MISC Ferry Services Sdn. Bhd.# ....	62.1	62.1	Dormant.
MISC Haulage Services Sendirian Berhad# ....	46.6	46.6	Container haulage.

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	Effective Percentage Holding March 31,		<u>Principal Activities</u>
	<u>2000</u>	<u>2001</u>	
MISC Information Technology Sdn. Bhd.# .....	62.1	62.1	Information technology services.
MISC Properties Sdn. Bhd.# .....	62.1	62.1	Property and project management services.
MISC Ship Management Sdn. Bhd.# .....	62.1	62.1	Ship management.
MISC Trucking and Warehousing Services Sdn. Bhd.# .....	62.1	62.1	Trucking, warehousing and forwarding services.
MTBE Malaysia Sdn. Bhd. .....	100.0	100.0	Production and sale of methyl tertiary butyl ether and propylene.
Magat Empat Sdn. Bhd.# .....	62.1	62.1	Dormant.
Magat Lima Sdn. Bhd.# .....	62.1	62.1	Dormant.
Malaysia International Shipping Corporation Berhad@# .....	62.1	62.1	Shipping and shipping related activities.
Malaysia LNG Sdn. Bhd. .....	65.0	65.0	Liquefaction and sale of liquefied natural gas.
Malaysia LNG Dua Sdn. Bhd. .....	60.0	60.0	Liquefaction and sale of liquefied natural gas.
Malaysia LNG Tiga Sdn. Bhd. .....	65.1	60.0	Intended to liquefy and sell liquefied natural gas.
Malaysian International Trading Corporation Sdn. Bhd. .....	100.0	100.0	General trading.
Malaysian International Trading Corporation (Japan) Sdn. Bhd. .....	100.0	100.0	General trading.
OGP Technical Services Sdn. Bhd. .....	60.0	60.0	Provision of technical and project management services.
Optimal Olefins (M) Sdn. Bhd.# .....	76.3	64.3	Intended to manufacture and sell ethylene, propylene and other hydrocarbon products.
Peninsular Shipbrokers Sdn. Bhd.# .....	62.1	62.1	Dormant.
Perecom Industries Sdn. Bhd. .....	—	100.0	Investment holding company.
PETRONAS Ammonia Sdn. Bhd.# .....	100.0	100.0	Production and sale of ammonia.
PETRONAS Assets Sdn. Bhd. (formerly known as PETRONAS Property Management Services Sdn. Bhd.)# .....	100.0	100.0	Owning and leasing of assets.
PETRONAS Carigali Sdn. Berhad# .....	100.0	100.0	Exploration and production of oil and gas.
PETRONAS Carigali (Dai Hung) Sdn. Bhd.# .....	100.0	100.0	Exploration and production of oil and gas.
PETRONAS Carigali (JDA) Sdn. Bhd.# .....	100.0	100.0	Exploration and production of oil and gas.

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	Effective Percentage Holding March 31,		<b>Principal Activities</b>
	<b>2000</b>	<b>2001</b>	
PETRONAS Carigali (Overseas) Sdn. Bhd.# .....	100.0	100.0	Exploration and production of oil and gas.
PETRONAS Carigali International Sdn. Bhd.# .....	100.0	100.0	Exploration and production of oil and gas.
PETRONAS Carigali (Sudan) Sdn. Bhd.# .....	100.0	100.0	Exploration and production of oil and gas.
PETRONAS Carigali (Turkmenistan) Sdn. Bhd.# .....	100.0	100.0	Exploration and production of oil and gas.
PETRONAS Carigali (Vietnam) Sdn. Bhd.# .....	100.0	100.0	Exploration and production of oil and gas.
PETRONAS Fertilizer (Kedah) Sdn. Bhd.# .....	100.0	100.0	Production and sale of urea and ammonia.
PETRONAS Dagangan Berhad@ .....	69.2	69.2	Marketing of petroleum products and operation of service stations.
PETRONAS Gas Berhad@ .....	58.2	60.3	Processing and transmission of natural gas.
PETRONAS Gas Supply (Labuan) Sdn. Bhd. ....	100.0	100.0	Operation of water supply, industrial waste and sewerage system treatment plants.
PETRONAS Hartabina Sdn. Bhd.# .....	100.0	100.0	Property holding.
PETRONAS International Corporation Ltd. (incorporated in Labuan) # .....	100.0	100.0	Investment holding company.
PETRONAS Maritime Services Sdn. Bhd.# .....	100.0	100.0	Provision of marine advisory services.
PETRONAS Management Training Sdn. Bhd.# ...	100.0	100.0	Provision of training services.
PETRONAS Methanol (Labuan) Sdn. Bhd. ....	100.0	100.0	Production and sale of methanol.
PETRONAS Myanmar Ltd. (incorporated in Labuan) .....	100.0	100.0	Investment holding company.
PETRONAS NGV Sdn. Bhd.# .....	100.0	100.0	Promoting and developing the use of natural gas for vehicles.
PETRONAS Penapisan (Melaka) Sdn. Bhd. ....	100.0	100.0	Refining of crude oil.
PETRONAS Penapisan (Terengganu) Sdn. Bhd. ...	100.0	100.0	Refining of crude oil.
PETRONAS Research & Scientific Services Sdn. Bhd. .....	100.0	100.0	Provision of research and technology development services.
PETRONAS Trading Corporation Sdn. Bhd. ....	100.0	100.0	Trading of crude oil and petroleum products.
PETRONAS Tankers Sendirian Berhad# .....	62.1	62.1	Investment holding and provision of management services to the owners and operators of LNG vessels.

**PETROLIAM NASIONAL BERHAD  
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**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

	Effective Percentage Holding March 31,		<b>Principal Activities</b>	
	<b>2000</b>	<b>2001</b>		
PETRONAS Technical Services Sdn. Bhd. ....	100.0	100.0	Intended to provide technical services.	
Petrosains Sdn. Bhd. ....	100.0	100.0	Management of a petroleum discovery centre.	
Polypropylene Malaysia Sdn. Bhd. ....	100.0	100.0	Production and marketing of polypropylene.	
Puteri Delima Sdn. Bhd.# ....	62.1	62.1	Own and operate LNG vessel.	
Puteri Firus Sdn. Bhd.# ....	62.1	62.1	Own and operate LNG vessel.	
Puteri Intan Sdn. Bhd.# ....	62.1	62.1	Own and operate LNG vessel.	
Puteri Nilam Sdn. Bhd.# ....	62.1	62.1	Own and operate LNG vessel.	
Puteri Zamrud Sdn. Bhd.# ....	62.1	62.1	Own and operate LNG vessel.	
Sanzbury Stead Sdn. Bhd. ....	100.0	100.0	Property holding.	
Styrene Monomer (M) Sdn. Bhd.# ....	100.0	100.0	Dormant.	
Sungai Udang Port Sdn. Bhd.# ....	100.0	100.0	Port management.	
Vinyl Chloride (Malaysia) Sdn. Bhd.#....	60.0	60.0	Production and sale of vinyl chloride.	
West Port Bunkering Services Sdn. Bhd. ....	48.4	48.4	Marketing of bunker fuel and operation of bunkering facilities at West Port, Port Klang.	

	Effective Percentage Holding March 31,		<b>Country of Incorporation</b>	<b>Principal Activities</b>
	<b>2000</b>	<b>2001</b>		
<b>Companies Incorporated Overseas</b>				
Azania Petroleum (Pty) Ltd. (formerly known as Shelcity Properties (Pty.) Ltd.)# ....	80.0	80.0	Isle of Man	Exploration and production of oil and gas.
Aktol Chemicals (Pty.) Ltd.#.....	80.0	80.0	South Africa	Dormant.
Baytrust Oil Exploration Ltd.# ....	46.0	46.0	United Kingdom	Exploration and production of oil and gas.
Bison Shipping Limited# ....	62.1	62.1	Republic of Liberia	Shipping.
Bitugon (Pty.) Ltd.# .....	80.0	80.0	South Africa	Dormant.
BGI Properties Ltd.# .....	56.0	56.0	Botswana	Property holding.
BGI Mahalapye (Pty.) Ltd.# .....	56.0	56.0	Botswana	Property holding.
BGI Palapye (Pty.) Ltd.# .....	56.0	56.0	Botswana	Dormant.
Cavallo Engineering & Construction (Pty.) Ltd.# .....	56.0	56.0	Botswana	Property holding.
Chemico (Pty.) Ltd.## .....	80.0	80.0	South Africa	Grease manufacturing.

**PETROLIAM NASIONAL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

	Effective Percentage Holding March 31,		Country of Incorporation	Principal Activities
	2000	2001		
Condor (Pty.) Ltd.# .....	80.0	80.0	South Africa	Dormant.
Cote Ltd.* .....	80.0	80.0	Isle of Man	Dormant.
Ceal Ltd.* .....	80.0	80.0	Isle of Man	Dormant.
Dinosaur Shipping Limited# .....	62.1	62.1	Republic of Liberia	Shipping.
Doba Pipeline Investment Inc.* .....	100.0	100.0	Cayman Islands	Investment in refinery projects.
Durban Liquid Storage (Pty.) Ltd.# .....	40.0	40.0	South Africa	Dormant.
EBC Limited# .....	62.1	62.1	British Virgin Islands	Investment holding company.
EBC Assets Limited (Bermuda)# ...	62.1	62.1	Bermuda	Investment holding company.
EBC Assets Limited (Liberia)# .....	62.1	62.1	Republic of Liberia	Investment holding company.
EBC Holding Limited# .....	62.1	62.1	Republic of Liberia	Investment holding company.
EBC Shipping Limited# .....	62.1	62.1	Bermuda	Ship management.
EBC Shipping Limited# .....	62.1	62.1	Republic of Liberia	Ship management.
Eagle Energy (Angola) Ltd.# .....	46.0	46.0	Isle of Man	Exploration and production of oil and gas.
East Australia Pipeline Marketing Pty. Ltd.* .....	100.0	100.0	Australia	Provision of marketing services.
Energy Africa Ltd.ø# .....	46.0	46.0	South Africa	Exploration and production of oil and gas.
Energy Africa Bredasdorp (Pty.) Ltd.# .....	46.0	46.0	South Africa	Exploration and production of oil and gas.
Energy Africa Cote D'Ivoire Ltd.# ...	46.0	46.0	Isle of Man	Dormant.
Energy Africa Egypt Ltd.# .....	46.0	46.0	Isle of Man	Exploration and production of oil and gas.
Energy Africa Equatorial Guinea Ltd.# .....	46.0	46.0	Isle of Man	Exploration and production of oil and gas.
Energy Africa Haute Mer Ltd.# .....	46.0	46.0	Isle of Man	Exploration and production of oil and gas.
Energy Africa Haute Mer Holdings Ltd.# .....	46.0	46.0	Isle of Man	Investment holding company.
Energy Africa Holdings Ltd.# .....	46.0	46.0	British Virgin Islands	Investment holding company.

**PETROLIAM NASIONAL BERHAD  
AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

	Effective Percentage Holding March 31,		Country of Incorporation	Principal Activities
	2000	2001		
Energy Africa Kudu Ltd.# .....	46.0	46.0	Isle of Man	Exploration and production of oil and gas.
Energy Africa Libya Ltd.# .....	46.0	46.0	Isle of Man	Exploration and production of oil and gas.
Energy Africa Morocco Limited.# ...	—	46.0	Isle of Man	Exploration and production of oil and gas.
Energy Africa Mozambique Ltd.# ...	46.0	46.0	Isle of Man	Exploration and production of oil and gas.
Energy Africa Namibia Ltd.# .....	46.0	46.0	Isle of Man	Dormant.
Energy Africa UK Ltd.# .....	46.0	46.0	United Kingdom	Corporate services.
Energy Africa Tanzania Ltd.# .....	—	46.0	Isle of Man	Exploration and production of oil and gas.
Bitumen Holdings Ltd.* .....	80.0	80.0	Isle of Man	Investment holding company.
Engen Botswana Ltd.# .....	56.0	56.0	Botswana	Investment holding company.
Engen Chemical Holdings (Pty.) Ltd.# .....	80.0	80.0	South Africa	Dormant.
Engen Energy Ltd.# .....	80.0	80.0	South Africa	Dormant.
Engen Ghana Ltd.# .....	80.0	80.0	Ghana	Selling of petroleum products.
Engen Holdings (Ghana) Ltd.# .....	80.0	80.0	Mauritius	Investment holding company.
Engen Holdings (Pty.) Ltd.# .....	80.0	80.0	South Africa	Investment holding company.
Engen Holdings Zimbabwe (Pvt.) Ltd.# .....	80.0	80.0	Zimbabwe	Investment holding company.
Engen International Holdings (Mauritius) Ltd.* .....	80.0	80.0	British Virgin Islands	Procurement, sale and delivery of hydrocarbons.
Engen International Marketing Ltd.#	80.0	80.0	Isle of Man	Procurement, sale and delivery of hydrocarbons.
Engen Kenya Ltd.# .....	80.0	80.0	Kenya	Selling of petroleum products.
Engen Lesotho (Pty.) Ltd.# .....	80.0	80.0	Lesotho	Marketing and distribution of petroleum products.
Engen Limited# .....	80.0	80.0	South Africa	Refining of crude oil and marketing of refined petroleum products.

**PETROLIAM NASIONAL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

	Effective Percentage Holding March 31,			Country of Incorporation	Principal Activities
	2000	2001			
Engen Management Services (Pty) Ltd.# .....	80.0	80.0		South Africa	Investment holding company.
Engen Marketing Botswana (Pty) Ltd.# .....	56.0	56.0		Botswana	Marketing of petroleum products.
Engen Marketing Ltd.# .....	80.0	80.0		South Africa	Dormant.
Engen Marketing Zimbabwe Ltd.# ..	80.0	80.0		Zimbabwe	Marketing of chemicals and related petroleum products.
Engen Marketing Zambia Ltd.# .....	80.0	80.0		Zambia	Marketing and distribution of petroleum products.
Engen Namibia (Pty) Ltd.# .....	80.0	80.0		Namibia	Marketing and distribution of petroleum products.
Engen Nigeria Ltd.# .....	80.0	80.0		Nigeria	Dormant.
Engen Offshore Holdings (Mauritius) Limited (formerly known as East African Energy Holdings Ltd.)# ...	80.0	80.0		British Virgin Islands	Investment holding company.
Engen Petroleum (Burundi) Ltd.* ...	80.0	80.0		British Virgin Islands	Investment holding company.
Engen Petroleum (DRC) Ltd.* .....	80.0	80.0		United Kingdom	Procurement, sale and delivery of hydrocarbons.
Engen Petroleum DRC (IOM) Ltd.*	80.0	80.0		Isle of Man	Procurement, sale and delivery of hydrocarbons.
Engen Petroleum (Mozambique) Limitada# .....	80.0	80.0		Mozambique	Importation, marketing and distribution of petroleum products.
Engen Petroleum (Rwanda) Ltd.* ...	80.0	80.0		British Virgin Islands	Investment holding company.
Engen Petroleum (Rwanda) Ltd.* ...	80.0	80.0		Rwanda	Selling of petroleum products.
Engen Petroleum (UK) Ltd.# .....	80.0	80.0		United Kingdom	Services for the procurement and sale of hydrocarbons.
Engen Petroleum Dubai Ltd.# .....	80.0	80.0		Isle of Man	Dormant.
Engen Petroleum International Ltd.#	80.0	80.0		Isle of Man	Procurement, sale and delivery of hydrocarbons.
Engen Petroleum Kenya Ltd.# .....	80.0	80.0		British Virgin Islands	Procurement, sale and delivery of hydrocarbons.
Engen Petroleum Ltd.# .....	80.0	80.0		South Africa	Refining and distribution of petroleum products.

**PETROLIAM NASIONAL BERHAD**  
**AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

	Effective Percentage Holding March 31,		Country of Incorporation	Principal Activities
	2000	2001		
Engen Petroleum Tanzania Ltd.# ....	80.0	80.0	British Virgin Islands	Procurement, sale and delivery of hydrocarbons.
Engen Petroleum Tanzania Ltd.# ....	80.0	80.0	Tanzania	Marketing and distribution of petroleum products.
Engen Petroleum Zimbabwe (Pvt.) Ltd.# .....	80.0	80.0	Zimbabwe	Development and maintenance of service stations.
Engen Producing Nigeria Ltd.# ....	80.0	80.0	Nigeria	Dormant.
Engen Swaziland (Pty.) Ltd.# ....	80.0	80.0	Swaziland	Marketing and distribution of petroleum products.
Engen Zimbabwe (Pvt.) Ltd. (Nominees)# .....	80.0	80.0	Zimbabwe	Dormant.
Esperance Shipping Limited# .....	62.1	62.1	Republic of Liberia	Shipping.
Fantasy Shipping Limited# .....	62.1	62.1	Republic of Liberia	Shipping.
Fragrant Shipping Limited# .....	62.1	62.1	Republic of Liberia	Shipping.
Gangga Negara Shipping Limited# ..	62.1	62.1	Republic of Liberia	Shipping.
Gas Africa (Pty.) Ltd.# .....	80.0	80.0	South Africa	Dormant.
Gedney Properties (Pty.) Ltd.# ....	56.0	56.0	Botswana	Property holding.
Grand Way Investments Limited# ...	62.1	62.1	Republic of Liberia	Shipping.
Growth Shipping Limited# .....	62.1	62.1	Republic of Liberia	Shipping.
Gunner Shipping Limited# .....	62.1	62.1	Republic of Liberia	Shipping.
Happy Venture Limited# .....	62.1	62.1	Republic of Liberia	Investment holding company.
Humanity Shipping Limited# .....	62.1	62.1	Republic of Liberia	Shipping.
Kapalintel Incorporated# .....	62.1	62.1	Republic of Panama	Dormant.
Ivory Properties (Pty.) Ltd.# .....	56.0	56.0	Botswana	Property holding.
Japan Malaysia LNG Co. Ltd.* ....	70.0	70.0	Japan	Provision of services in relation to the importation of liquefied natural gas into Japan.
Leo Shipping Private Limited# .....	31.0	62.1	Singapore	Shipping agent.

**PETROLIAM NASIONAL BERHAD  
AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

	Effective Percentage Holding March 31,		Country of Incorporation	Principal Activities
	2000	2001		
Logger Shipping Limited# .....	62.1	62.1	Republic of Liberia	Shipping.
Luminous Shipping Limited# .....	62.1	62.1	Republic of Liberia	Shipping.
Malaysia International Shipping Corporation Agencies (U.K.) Ltd.#	62.1	62.1	United Kingdom	Shipping agent.
MISA (B) Sdn. Bhd.# .....	62.1	62.1	Brunei Darulssalam	Shipping agent.
MISC (Japan) Ltd.# .....	62.1	62.1	Japan	Port and general agent.
MISC Agencies (Australia) Pty. Ltd.# .....	62.1	62.1	Australia	Shipping agent.
MISC Agencies (Netherlands) B.V.#	62.1	62.1	Netherlands	Shipping agent.
MISC Far East Tonnage Centre Pte. Ltd.# .....	62.1	62.1	Singapore	Port and general agent.
Marquisa Shipping Limited# .....	62.1	62.1	Republic of Liberia	Shipping.
Midwest Properties 207 (Pty.) Ltd.#	80.0	80.0	South Africa	Dormant.
Midwest Properties 208 (Pty.) Ltd.#	80.0	80.0	South Africa	Dormant.
Mun Kim Limited# .....	62.1	62.1	Republic of Liberia	Investment holding company.
Myanmar Petronas Trading Co. Ltd.** .....	100.0	100.0	Myanmar	Trading company.
Namibia Petroleum (Pty.) Ltd.# ....	80.0	80.0	Namibia	Marketing and distributing petroleum products.
Oil Tanking EPZ (Pty.) Ltd.# .....	80.0	80.0	Kenya	Selling of bitumen.
Pacific Mattsu Shipping Limited# ...	62.1	62.1	Republic of Liberia	Shipping.
Pacific Trident Limited# .....	62.1	62.1	Hong Kong	Shipping.
Pakenzyl (Pty.) Ltd.# .....	80.0	80.0	South Africa	Dormant.
Parsi International Ltd.* .....	100.0	100.0	Republic of Mauritius	Exploration and production of oil and gas.
Peddler Shipping Limited# .....	62.1	62.1	Republic of Liberia	Shipping.
Petrochemical Shipping Ltd.# .....	40.0	40.0	British Virgin Islands	Shipping.
Plate Shipping Limited# .....	62.1	62.1	Republic of Liberia	Shipping.
Petroleum Investment Holding Ltd.*	80.0	80.0	British Virgin Islands	Investment holding company.
Petroleum Operating Company Ltd.#	80.0	80.0	South Africa	Investment holding company.

**PETROLIAM NASIONAL BERHAD  
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**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

	Effective Percentage Holding March 31,		Country of Incorporation	Principal Activities
	2000	2001		
Petroleum Transport International (Pty.) Ltd.# .....	80.0	80.0	South Africa	Dormant.
PETRONAS Argentina S.A.** .....	100.0	100.0	Argentina	Investment holding company.
PETRONAS Australia Pty. Ltd.** .....	100.0	100.0	Australia	Investment holding company.
PETRONAS Cambodia Co. Ltd.** ..	100.0	100.0	Cambodia	Trading of petroleum products.
PETRONAS Cambodia Tankage Services Co. Ltd.** .....	100.0	100.0	Cambodia	Own and operate LPG bottling plant, bulk oil terminal and depot for storage and distribution of petroleum products.
PETRONAS Carigali Chad Exploration & Production Inc.* ..	100.0	100.0	Cayman Islands	Exploration and production of oil and gas.
PETRONAS Carigali (Ketapang) Ltd.* .....	—	100.0	Republic of Mauritius	Exploration and production of oil and gas.
PETRONAS Carigali (Pakistan) Ltd.* .....	100.0	100.0	Republic of Mauritius	Exploration and production of oil and gas.
PETRONAS Carigali (Pasemah) Ltd.* .....	—	100.0	Republic of Mauritius	Exploration and production of oil and gas.
PETRONAS Carigali (Chad EP) Inc.* .....	100.0	100.0	Cayman Islands	Exploration and production of oil and gas.
PETRONAS Carigali Myanmar Inc.*	100.0	100.0	Republic of Liberia	Exploration and production of oil and gas.
PETRONAS Carigali Myanmar II Inc.* .....	100.0	100.0	Republic of Liberia	Exploration and production of oil and gas.
PETRONAS Carigali Myanmar III Inc.* .....	100.0	100.0	Cayman Islands	Investment holding company.
PETRONAS Carigali Nile Ltd.* ..	100.0	100.0	Republic of Mauritius	Exploration and production of oil and gas.
PETRONAS Carigali Overseas (UK) Ltd.# .....	100.0	100.0	United Kingdom	Provision of project management services.

**PETROLIAM NASIONAL BERHAD  
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**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

	Effective Percentage Holding March 31,		Country of Incorporation	Principal Activities
	2000	2001		
PETRONAS Energy Philippines, Inc. Ltd.# .....	40.0	60.0	Philippines	Marketing of petroleum products.
PETRONAS Chad Marketing Inc.*..	100.0	100.0	Cayman Islands	Exploration and production of oil and gas.
PETRONAS China Co. Ltd.**.....	100.0	100.0	Hong Kong	Investment holding company.
PETRONAS India (Holdings) Co. Pte. Ltd.** .....	100.0	100.0	India	Intended to be investment holding company.
PETRONAS Philippines Inc.** .....	100.0	100.0	Philippines	Investment holding company.
PETRONAS South Africa (Pty.) Ltd.# .....	100.0	100.0	South Africa	Investment holding company.
PETRONAS (Thailand) Co. Ltd.**	100.0	100.0	Thailand	Investment holding company.
Rockyhill Properties (Pty.) Ltd.#....	56.0	56.0	Botswana	Property holding.
Roseland Shipping Limited# .....	60.2	60.2	Republic of Liberia	Shipping.
Rhinestone Shipping Limited# .....	62.1	62.1	Republic of Liberia	Shipping.
SEP Burundi* .....	52.4	52.4	Burundi	Storage facilities.
Safety Shipping Limited# .....	62.1	62.1	Republic of Liberia	Shipping.
Salag Property Investments (Pty.) Ltd.## .....	80.0	80.0	South Africa	Dormant.
Scheepvaartagentuur Nederland Overzee B.V.# .....	62.1	62.1	Netherlands	Dormant.
Sea Maestro Shipping Limited# .....	31.0	62.1	Republic of Liberia	Shipping.
Sea Maiden Shipping Limited# .....	62.1	62.1	Republic of Liberia	Shipping.
Selesa Shipping Limited# .....	62.1	62.1	Republic of Liberia	Shipping.
Shashe Silk (Pty.) Ltd.# .....	56.0	56.0	Botswana	Property holding.
Sirri International Ltd.* .....	100.0	100.0	Republic of Mauritius	Exploration and production of oil and gas.
Skystrong Shipping Limited# .....	62.1	62.1	Republic of Liberia	Shipping.
Sonap Petroleum (South Africa) (Pty.) Ltd.# .....	80.0	80.0	South Africa	Dormant.

**PETROLIAM NASIONAL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

	Effective Percentage Holding March 31,		Country of Incorporation	Principal Activities
	2000	2001		
Spectrum Shipping Limited# .....	62.1	62.1	Republic of Liberia	Shipping.
Sun Shipping Limited# .....	62.1	62.1	Republic of Liberia	Shipping.
Seerat Refinery Investment Inc.* .....	100.0	100.0	Cayman Islands	Investment in refinery projects.
Tabro Investments (Pty.) Ltd.## ...	80.0	80.0	South Africa	Dormant.
Thunder Bay Investment Corporation# .....	62.1	62.1	Republic of Liberia	Shipping.
Trailblazer Shipping Limited# .....	62.1	62.1	Republic of Liberia	Shipping.
Thibault Finance Company (Pty.) Ltd.# .....	80.0	80.0	South Africa	Dormant.
Torrent Shipping Limited# .....	62.1	62.1	Republic of Liberia	Shipping.
Trek Petroleum (Pty.) Ltd# .....	80.0	80.0	South Africa	Manufacturing, marketing and distribution of petroleum products.
Union Oil Exploration Ltd.# .....	46.0	46.0	United Kingdom	Exploration and production of oil and gas.
Unitrust Holdings Ltd.# .....	46.0	46.0	United Kingdom	Investment holding company.
Waldeck Investments (Pty.) Ltd.#...	80.0	80.0	South Africa	Investment holding company.
Wimmeria Investments (Pty.) Ltd.#	40.8	40.8	South Africa	Investment holding company.
Ximex Energy Holdings (Pvt.) Ltd.#	64.0	64.0	Zimbabwe	Investment holding company.
Zenex Oil (Pty.) Ltd.# .....	80.0	80.0	South Africa	Manufacturing, marketing and distribution of petroleum products.

# Audited by other firm of accountants.

## Consolidated based on management financial statements.

\* Not required to be audited in country of incorporation.

\*\* Audited by overseas office of KPMG.

@ The shares of this subsidiary are quoted on the Main Board of The Kuala Lumpur Stock Exchange.

Ø The shares of this subsidiary are quoted on the Johannesburg Stock Exchange.

**PETROLIAM NASIONAL BERHAD  
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**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

**38. Associates and Activities**

	Effective Percentage Holding March 31,		<u>Principal Activities</u>
	<u>2000</u>	<u>2001</u>	
<b>Companies Incorporated in Malaysia</b>			
Advance Engine Research Sdn. Bhd. ....	50.0	50.0	Intended to undertake research, development of designs and prototypes for manufacture of engines.
BASF PETRONAS Chemicals Sdn. Bhd. ....	40.0	40.0	Own and operate acrylic acid and oxo plants.
BP PETRONAS Acetlys Sdn. Bhd. ....	30.0	30.0	Manufacture, sell and distribute acetic acid.
Carigali — PTTEPI Operating Company Sdn. Bhd. ....	50.0	50.0	Exploration and production of oil and gas.
Carigali—Triton Operating Company Sdn. Bhd. ....	50.0	50.0	Exploration and production of oil and gas.
Celcom Petro Network (M) Sdn. Bhd. ....	40.0	40.0	Provision of fibre optic transmission network services.
Gas Malaysia Sdn. Bhd. ....	20.0	20.0	Selling, marketing, distribution and promotion of natural gas.
Idemitsu SM (Malaysia) Sdn. Bhd. ....	30.0	30.0	Production and marketing of ethylbenzene and styrene monomer.
Kertih Terminals Sdn. Bhd. ....	40.0	40.0	Intended to own and operate bulk chemical storage and handling facilities.
Klang Port Management Sdn. Bhd. ....	15.5	—	Port management.
KLCC (Holdings) Berhad and its subsidiaries.....	49.5	49.5	Property investment and property development.
Lub Dagangan Sdn. Bhd. ....	13.8	13.8	Marketing of lubricants.
MSE Corporation Sdn. Bhd. ....	26.7	26.7	Processing of copper grit.
MSE Holdings Sdn. Bhd. ....	26.7	26.7	Investment holding company.
Malaysia Shipyard and Engineering Sdn. Bhd. ....	26.7	26.7	Shipbuilding, ship repairing and engineering works.
MSE ATB Sdn. Bhd. (formerly known as Titan Heavy Equipment Sdn. Bhd.)....	16.1	16.1	Manufacturing of thick-wall and low-alloy process equipment.
Malaysia Tank Cleaning Company Sdn. Bhd. ....	26.7	26.7	Dormant.
Malaysia Towage and Transport Sdn. Bhd. ....	26.7	26.7	Hiring and chartering of tugboat and pushers.
Malaysian Maritime Academy Sdn. Bhd. ....	30.0	30.0	Educational training for seamen and maritime personnel.
Malaysia Pakistan Venture Sdn. Bhd. ....	15.5	15.5	Investment holding company.
Malaysian Refining Company Sdn. Bhd. ....	45.0	45.0	Refining of crude oil.

**PETROLIAM NASIONAL BERHAD  
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**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

	Effective Percentage Holding March 31,		<u>Principal Activities</u>
	<u>2000</u>	<u>2001</u>	
Midciti Resources Sdn. Bhd. ....	49.5	49.5	Property holding.
Optimal Chemicals (M) Sdn. Bhd. ....	50.0	50.0	Intended to manufacture and sell ethylene and propylene derivative products.
Optimal Glycols (M) Sdn. Bhd. ....	50.0	50.0	Intended to manufacture and sell ethylene oxide, ethylene glycol and other glycols.
Perwira Affin Merchant Bank Bhd. ....	23.0	23.0	Merchant banking.
PETLIN (M) Sdn. Bhd. ....	40.0	40.0	Intended to manufacture and sell low density polyethylene.
Perusahaan Otomobil Nasional Bhd. ....	—	27.2	Manufacturing, assembling and selling of motor vehicles and related products.
Polyethylene (Malaysia) Sdn. Bhd. ....	40.0	40.0	Production and marketing of polyethylene.
PS Pipeline Sdn. Bhd. ....	34.6	34.6	Provision of operating services to the multi-products pipeline system.
PS Terminal Sdn. Bhd. ....	34.6	34.6	Provision of services in relation to operation and management of Tawau Joint Venture facilities.
Putrajaya Holdings Sdn. Bhd. ....	40.0	40.0	Property owner and developer.
Techno Indah Sdn. Bhd. ....	16.1	16.1	Sludge disposal management.
Titar Travel Sdn. Bhd. ....	31.0	31.0	Travel agent.
Trans Thai-Malaysia (Malaysia) Sdn. Bhd. ....	50.0	50.0	Intended to own and operate Trans-Thailand-Malaysia gas pipeline system and gas separation plants.

	Effective Percentage Holding March 31,		<u>Country of Incorporation</u>	<u>Principal Activities</u>
	<u>2000</u>	<u>2001</u>		
<b>Companies Incorporated Overseas</b>				
Aristea ....	39.2	39.2	Belgium	Investment holding company.
Cameroon Oil Transportation Company SA ....	30.3	30.3	Republic of Cameroon	Pipeline projects.
Duta Inc. ....	40.0	40.0	Philippines	Property holding.
East Australian Pipeline Ltd. ....	24.0	—	Australia	Transmission of natural gas.
Engen Petroleum (Burundi) Ltd. ....	39.2	39.2	Burundi	Selling of petroleum products.
Energy Africa Gabon SA ....	21.6	21.6	Gabon	Exploration and production of oil and gas.
Gasinvest Australia Pty Ltd ....	48.0	—	Australia	Investment holding company.
Greater Nile Petroleum Operating Company ....	30.0	30.0	Republic of Mauritius	Exploration and production of oil and gas.

**PETROLIAM NASIONAL BERHAD  
AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

	Effective Percentage Holding March 31,		Country of Incorporation	Principal Activities
	2000	2001		
Guangdong Yangjiang Hailing (Sinopec—PETRONAS-NIC) Petrochemical Co. Ltd. ....	30.0	30.0	People's Republic of China	Importation and marketing of liquefied petroleum gas.
Hubei Zhong Chang Vegetable Oil Co. Ltd. ....	9.3	9.3	People's Republic of China	Vegetable oil refinery.
Indianoil Petronas Private Limited	50.0	50.0	India	Intended to distribute and market LPG in the eastern part of India.
Kaparangan Inc. ....	40.0	40.0	Philippines	Investment holding company.
Leo Launches Private Limited ....	15.5	31.7	Singapore	Launch operator.
Olivier Shipping Limited ....	31.0	31.0	Republic of Liberia	Shipping.
MISC Agencies (Thailand) Company Limited ....	30.4	30.4	Thailand	Shipping agent.
MISC Agencies Lanka ....	24.8	24.8	Sri Lanka	Shipping agent and freight forwarding services.
Mapak Qasim Bulker Pte. Ltd. ....	11.8	11.8	Pakistan	Storage of edible oil.
Mapak Edible Oil Pte. Ltd. ....	9.9	9.9	Pakistan	Dormant.
Moor Industrial Transport Limited	15.5	15.5	Jersey	Shipping.
Peg Highway Operations (Pty.) Ltd. ....	39.2	39.2	South Africa	Operating of transient service stations.
Petrochemical Shipping Limited ...	40.0	40.0	British Virgin Islands	Ship chartering.
PETRONAS Unique Petroleum Co. Ltd. ....	49.0	49.0	Thailand	Develop and operate service stations.
Phu My Plastics & Chemicals Co. Ltd. ....	40.0	40.0	Vietnam	To produce and sell suspension PVC resins.
Premier Oil plc ....	25.0	25.0	Scotland	Exploration and production of oil and gas.
Safor (Pty.) Limited.....	37.6	37.6	South Africa	Manufacturing of base oil.
Sauber PETRONAS Engineering AG ....	40.0	40.0	Switzerland	Technical research and development activities for automotive engineering.
Sea Master Shipping Limited ....	31.0	—	Republic of Liberia	Shipping.
South Africa Oil Refinery (Pty.) Ltd. ....	37.6	37.6	South Africa	Manufacturing of lubricating oil base stocks.
Taninthayi Pipeline Co. LLC.....	30.0	30.0	Cayman Islands	Construction and development of pipeline and transportation of gas.
Tchad Oil Transportation Company SA .....	29.8	29.8	Republic of Chad	Pipeline projects.

**PETROLIAM NASIONAL BERHAD**  
**AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS—(CONTINUED)**

	Effective Percentage Holding March 31,		Country of Incorporation	Principal Activities
	2000	2001		
Thang Long LPG Joint Venture Co Ltd. ....	49.0	49.0	Vietnam	Importation and marketing of liquefied petroleum gas.
Tianjin Voray Bulking Installation Oil Co. Ltd. ....	8.1	8.1	People's Republic of China	Storage of vegetable oil.
Trans Thai-Malaysia (Thailand) Ltd. ....	50.0	50.0	Thailand	Intended to own and operate Trans-Thailand-Malaysia gas pipeline system and gas separation plants.
Transware Distribution Services Pte. Ltd. ....	31.0	31.0	Singapore	Warehousing.
Trans-ware Logistics (Pvt.) Ltd. ....	15.5	15.5	Sri Lanka	Inland container depot.
Voray Holdings Limited ....	15.5	15.5	People's Republic of China	Investment holding.
Yuasa Investment Limited ....	31.0	31.0	British Virgin Islands	Shipping.
Zhenjiang Zhonghai PETRONAS NIC Oil and Gas Co. Ltd. ....	20.0	20.0	People's Republic of China	Importation and marketing of liquefied petroleum gas.

**39. Comparative Figures**

Following the adoption of MASB Standards in the preparation of this set of financial statements, the presentation and classification of certain items in the financial statements have been amended. Accordingly, comparative amounts for those items have been reclassified and/or expanded to ensure comparability with the current financial year.

## **PETROLIAM NASIONAL BERHAD**

(Company No. 20076-K)

(Incorporated in Malaysia)

### **REPORT OF THE AUDITORS TO THE MEMBERS**

We have audited the financial statements set out on pages F-74 to F-146. The preparation of the financial statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
  - i) the state of affairs of the Group and of the Company at 31 March 2002 and of the results of their operations and cash flows for the year ended on that date; and
  - ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;

and

- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

Company No. 20076-K

All the names of subsidiaries in respect of which we have not acted as auditors are identified in Note 34 to the financial statements and we have considered their financial statements and the auditors' reports thereon other than as stated in Note 34 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the audited subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment made under sub-section (3) of Section 174 of the Act.

KPMG DESA MEGAT & CO.  
Firm Number: AF 0759  
Chartered Accountants

DATO' MOHAMMAD AIDID BIN MOHD SHARIFF  
Partner  
Approval Number: 930/6/02(J/PH)

Kuala Lumpur,

Date: June 24, 2002

**PETROLIAM NASIONAL BERHAD**

(Company No. 20076-K)  
(Incorporated in Malaysia)

**CONSOLIDATED BALANCE SHEET AT 31 MARCH 2002**

	Note	2002 RM'000	2001 RM'000
<b>PROPERTY, PLANT AND EQUIPMENT</b>	2	75,584,840	66,154,542
<b>INVESTMENT IN ASSOCIATES</b>	4	5,444,294	6,517,360
<b>OTHER INVESTMENTS</b>	5	1,130,774	772,942
<b>LONG TERM RECEIVABLES</b>	6	4,721,718	5,675,979
<b>CURRENT ASSETS</b>			
TRADE AND OTHER INVENTORIES	7	2,508,106	2,170,869
TRADE AND OTHER RECEIVABLES	8	11,976,075	13,413,638
OTHER INVESTMENTS	5	9,539,486	8,402,997
FUND INVESTMENTS	11	5,023,527	5,044,723
CASH AND CASH EQUIVALENTS	12	28,198,723	30,886,979
		57,245,917	59,919,206
<b>CURRENT LIABILITIES</b>			
TRADE AND OTHER PAYABLES	13	12,675,524	13,706,070
BORROWINGS	17	5,645,925	5,753,961
TAXATION		6,136,638	9,468,193
DIVIDEND PAYABLE		1,032,000	2,480,000
PROPOSED DIVIDEND		4,100,000	4,100,000
		29,590,087	35,508,224
<b>NET CURRENT ASSETS</b>		27,655,830	24,410,982
		114,537,456	103,531,805
<b>Financed by:</b>			
<b>CAPITAL AND RESERVES</b>			
SHARE CAPITAL	14	100,000	100,000
RESERVES	15	64,595,798	53,833,886
		64,695,798	53,933,886
<b>MINORITY SHAREHOLDERS' INTERESTS</b>	16	11,651,534	10,972,436
<b>LONG TERM AND DEFERRED LIABILITIES</b>			
BORROWINGS	17	34,725,711	34,864,489
OTHER LONG TERM LIABILITIES AND PROVISIONS	19	3,464,413	3,760,994
		38,190,124	38,625,483
		114,537,456	103,531,805

See accompanying Notes to the financial statements.

**PETROLIAM NASIONAL BERHAD**  
 (Company No. 20076-K)  
 (Incorporated in Malaysia)

**CONSOLIDATED INCOME STATEMENT  
 FOR THE YEAR ENDED 31 MARCH 2002**

	<b>Note</b>	<b>2002</b> <b>RM'000</b>	<b>2001</b> <b>RM'000</b>
<b>Revenue</b>	20	67,180,869	73,351,063
		=====	=====
<b>Operating profit</b>		26,499,608	31,794,240
Financing costs		(2,703,659)	(2,927,797)
Share of profit of associates		522,479	162,622
		_____	_____
<b>Profit before taxation</b>		24,318,428	29,029,065
Tax expense	23	(8,143,464)	(10,297,055)
		_____	_____
Profit after taxation but before minority interests		16,174,964	18,732,010
Minority interests' share of subsidiaries profits		(1,609,439)	(2,244,065)
Pre-acquisition loss		2,961	-
		_____	_____
<b>Net profit for the year</b>	15	14,568,486	16,487,945
		=====	=====

See accompanying Notes to the financial statements.

**PETROLIAM NASIONAL BERHAD**  
 (Company No. 20076-K)  
 (Incorporated in Malaysia)

**STATEMENT OF RECOGNISED GAINS AND LOSSES  
 FOR THE YEAR ENDED 31 MARCH 2002**

<b>GROUP</b>	<b>Note</b>	<b>2002 RM'000</b>	<b>2001 RM'000</b>
Goodwill on consolidation	15	(17,156)	(47,179)
Exchange differences on translation of the financial statements of foreign entities	15	(530,760)	(516,490)
Unrealised gains on translation of long term assets and liabilities	15	50,530	845,264
<b>Net (losses)/gains not recognised in the income statement</b>		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		(497,386)	281,595
<b>Net profit for the year</b>	15	14,568,486	16,487,945
<b>Total recognisable gains for the year</b>		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		14,071,100	16,769,540
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

See accompanying Notes to the financial statements.

**PETROLIAM NASIONAL BERHAD**  
 (Company No. 20076-K)  
 (Incorporated in Malaysia)

**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2002**

	Note	2002 RM'000	2001 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		67,561,913	71,391,425
Cash paid to suppliers and employees		(37,221,830)	(37,060,789)
		<hr/>	<hr/>
Interest income from fund investments		30,340,083	34,330,636
Interest expenses paid		2,347,843	2,572,579
Taxation paid		(2,841,130)	(3,009,711)
		(10,913,890)	(7,753,322)
		<hr/>	<hr/>
<b>Net cash generated from operating activities</b>		<b>18,932,906</b>	<b>26,140,182</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Net cash used in investing activities</b>	25	(13,424,292)	(13,491,718)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Net cash used in financing activities</b>	26	(8,694,921)	(7,471,516)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		<hr/>	<hr/>
		(3,186,307)	5,176,948
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>			
		<hr/>	<hr/>
		30,886,979	25,710,031
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>			
		<hr/>	<hr/>
		27,700,672	30,886,979
<b>CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances (Note 12)		824,407	677,231
Deposits (Note 12)		27,374,316	30,209,748
Bank overdraft (Note 17)		(498,051)	-
		<hr/>	<hr/>
		27,700,672	30,886,979
		<hr/>	<hr/>

See accompanying Notes to the financial statements.

**PETROLIAM NASIONAL BERHAD**  
 (Company No. 20076-K)  
 (Incorporated in Malaysia)

**BALANCE SHEET AT 31 MARCH 2002**

	Note	2002 RM'000	2001 RM'000
<b>PROPERTY, PLANT AND EQUIPMENT</b>	2	1,611,221	1,710,484
<b>INVESTMENT IN SUBSIDIARIES</b>	3	11,467,880	10,862,523
<b>INVESTMENT IN ASSOCIATES</b>	4	3,597,875	5,496,513
<b>OTHER INVESTMENTS</b>	5	503,495	43,027
<b>LONG TERM RECEIVABLES</b>	6	31,448,020	26,005,049
<b>CURRENT ASSETS</b>			
TRADE AND OTHER INVENTORIES	7	30,107	35,516
TRADE AND OTHER RECEIVABLES	8	9,740,632	12,805,262
OTHER INVESTMENTS	5	6,402,840	3,375,158
FUND INVESTMENTS	11	4,445,735	4,604,769
CASH AND CASH EQUIVALENTS	12	16,985,481	19,173,014
		37,604,795	39,993,719
<b>CURRENT LIABILITIES</b>			
TRADE AND OTHER PAYABLES	13	6,486,475	6,227,247
BORROWINGS	17	1,351,442	2,976,394
TAXATION		4,181,743	5,856,849
DIVIDEND PAYABLE		1,032,000	2,480,000
PROPOSED DIVIDEND		4,100,000	4,100,000
		17,151,660	21,640,490
<b>NET CURRENT ASSETS</b>		20,453,135	18,353,229
		69,081,626	62,470,825
<b>Financed by:</b>		=====	=====
<b>CAPITAL AND RESERVES</b>			
SHARE CAPITAL	14	100,000	100,000
RESERVES	15	46,634,937	39,514,433
		46,734,937	39,614,433
<b>LONG TERM AND DEFERRED LIABILITIES</b>			
BORROWINGS	17	21,971,926	21,944,679
OTHER LONG TERM LIABILITIES AND PROVISIONS	19	374,763	911,713
		22,346,689	22,856,392
		69,081,626	62,470,825
		=====	=====

See accompanying Notes to the financial statements.

**PETROLIAM NASIONAL BERHAD**  
 (Company No. 20076-K)  
 (Incorporated in Malaysia)

**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2002**

	Note	2002 RM'000	2001 RM'000
<b>Revenue</b>	20	31,963,217	36,964,830
		=====	=====
<b>Operating profit</b>		16,881,432	18,641,421
Financing costs		(559,208)	(649,292)
		_____	_____
<b>Profit before taxation</b>		16,322,224	17,992,129
Tax expense	23	(5,849,242)	(6,747,912)
		_____	_____
<b>Net profit for the year</b>	15	10,472,982	11,244,217
		=====	=====

See accompanying Notes to the financial statements.

**PETROLIAM NASIONAL BERHAD**  
 (Company No. 20076-K)  
 (Incorporated in Malaysia)

**STATEMENT OF RECOGNISED GAINS AND LOSSES  
 FOR THE YEAR ENDED 31 MARCH 2002**

<b>COMPANY</b>	<b>Note</b>	<b>2002</b> <b>RM'000</b>	<b>2001</b> <b>RM'000</b>
Unrealised (losses)/gains on translation of long term assets and liabilities	15	(15,482)	273,008
Net (losses)/gains not recognised in the income statement		(15,482)	273,008
Net profit for the year	15	10,472,982	11,244,217
<b>Total recognisable gains for the year</b>		<b>10,457,500</b>	<b>11,517,225</b>
		=====	=====

See accompanying Notes to the financial statements.

**PETROLIAM NASIONAL BERHAD**  
 (Company No. 20076-K)  
 (Incorporated in Malaysia)

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2002**

	Note	2002 RM'000	2001 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		26,359,085	32,418,433
Cash paid to suppliers and employees		(14,344,948)	(20,566,644)
		<hr/>	<hr/>
		12,014,137	11,851,789
Interest income from fund investments		1,507,937	1,194,692
Interest expenses paid		(571,216)	(683,127)
Taxation paid		(6,638,541)	(4,693,276)
		<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	<b>25</b>	<b>6,312,317</b>	<b>7,670,078</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Net cash generated from investing activities</b>	<b>25</b>	<b>82,051</b>	<b>1,195,888</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Net cash used in financing activities</b>	<b>26</b>	<b>(8,581,901)</b>	<b>(125,638)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		(2,187,533)	8,740,328
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>			
		<hr/>	<hr/>
		19,173,014	10,432,686
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>			
		16,985,481	19,173,014
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS (Note 12)</b>			
Cash and bank balances		43,120	3,126
Deposits		16,942,361	19,169,888
		<hr/>	<hr/>
		16,985,481	19,173,014
		<hr/>	<hr/>

See accompanying Notes to the financial statements.

**PETROLIAM NASIONAL BERHAD**  
(Company No. 20076-K)  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2002**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years.

**1.1 Basis of accounting**

The financial statements of the Group and of the Company comply with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

**1.2 Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and all its subsidiaries, all of which are listed in Note 34 to the financial statements. The consolidation is based on the financial statements of the subsidiaries made up to 31 March 2002 and consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed during the year are included from the date of acquisition or up to the date of disposal.

All internal transactions are eliminated on consolidation and the revenue and profits relate to external transactions only. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

The proportion of the profit or loss applicable to minority shareholders is deducted in arriving at the profits attributable to the shareholders of the Company.

The total assets and liabilities of subsidiaries are included in the Group Balance Sheet and the interest of minority shareholders in the net assets employed is stated separately.

**1.3 Goodwill or Reserve on consolidation**

Goodwill or reserve on consolidation represents the excess or deficit on the date of acquisition between the consideration paid for shares in subsidiaries and the fair values attributable to the net assets acquired. Goodwill or reserve arising on acquisition of subsidiaries is carried forward at cost.

#### **1.4 Associates**

Associates are those companies in which the Group owns a long term equity interest of between 20% and 50% and where the Group exercises significant influence, including representation on the Board of Directors, over the financial and operating policies of the investee company.

The Group's share of post-acquisition profits or losses of associates is incorporated in the consolidated financial statements. 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 balance sheet. These amounts are taken from the latest audited financial statements and management financial statements of the associates.

Unrealised profits arising on transactions between the Group and its associates, which are included in the carrying amount of the related assets and liabilities are eliminated partially 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.

The associates' results are accounted for in the Group's financial statements using the equity method of accounting.

Goodwill or reserve on acquisition is calculated based on the fair value of net assets acquired. Goodwill or reserve arising on acquisition of associates is capitalised and carried forward at cost.

#### **1.5 Property, plant and equipment and depreciation**

Freehold land are stated at cost or valuation and are not depreciated. Projects-in-progress are stated at cost and are not depreciated.

Other property, plant and equipment are stated at cost or valuation less accumulated depreciation.

Property, plant and equipment other than freehold land, oil and gas properties and projects-in-progress are depreciated on a straight line basis over the estimated useful lives of the related assets.

Amortisation of producing oil and gas properties is computed based on the unit of production method using proved reserves for capitalised acquisition cost and proved developed reserves for capitalised exploration and development costs.

Buildings are depreciated over 20 and 50 years or over the remaining land lease period, whichever is shorter.

Leasehold land and leased properties are depreciated over the lease period of 3 to 999 years.

The annual rates of depreciation of the other plant and equipment used are:

Plant	5% to 20%
Expendable capital improvements	33 1/3%
Office equipment, furniture and fittings	15% to 20%
Other plant and equipment	5% to 15%
Computer software and hardware	20%
Motor vehicles	25%
Vessels	5%

Property, plant and equipment individually costing less than RM5,000 are expensed off in the year of purchase.

### **1.6 Leased assets**

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not, the Group's incremental borrowing rate is used.

### **1.7 Borrowing costs and foreign currency exchange differences relating to projects-in-progress**

Borrowing costs incurred on projects-in-progress are capitalised. Exchange differences arising from foreign currency borrowings, to the extent that they are regarded as an adjustment to interest costs, are also capitalised. Capitalisation of borrowing costs will cease when the property, plant and equipment are ready for their intended use.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing cost applicable to the Group's borrowings that are outstanding during the year.

### **1.8 Acquisition, exploration and development expenditure**

The Group follows the successful efforts method of accounting for exploration costs. Exploration costs are initially capitalised pending determination. On determination, such costs are written off unless commercial reserves have been established. Development expenditure comprises all costs incurred in bringing a field to commercial production and is capitalised as incurred. The amount capitalised includes attributable interest and other financing costs incurred on significant exploration and development before commencement of production.

## 1.9 Investments

### *Long term*

Investments held for long term purposes are stated at cost less allowance for diminution in value. An allowance is made when the Directors are of the view that there is a diminution in their values, which is other than temporary.

### *Short term*

Quoted shares, quoted securities and Malaysian Government Securities held as short term investments are stated at the lower of cost and market value on an individual investment basis.

Unquoted securities held as short term investments are stated at the lower of cost and theoretical market value based on the yield to maturity.

## 1.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of crude oil and condensate comprise costs of bringing the inventories to their present location and condition and is determined on the first-in-first-out (FIFO) basis. Cost of petroleum products include crude oil costs, export duty, transportation charges and processing costs and is determined on the weighted average basis. Cost of liquefied natural gas (LNG) and petrochemical products includes raw gas costs and production overheads and is determined on the weighted average basis.

Material stores and spares are stated at lower of cost and net realisable value. Cost consists of the invoiced value from suppliers and import duty charges and is determined on the weighted average basis.

## 1.11 Amount due from contract customers

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

### **1.12 Retirement benefits**

The Group and the Company, other than Aromatics Malaysia Sdn. Bhd., Institute of Technology PETRONAS Sdn. Bhd., Optimal Olefins (M) Sdn. Bhd., Petrosains Sdn. Bhd., Malaysia International Shipping Corporation Berhad (MISC) and Engen Limited Group, contribute monthly to the PETRONAS Retirement Benefit Fund (the Fund) based on the eligible employees' monthly emoluments less statutory contribution, to finance the retirement benefits payable to eligible employees in accordance with the group retirement benefit scheme. The assets of the Fund are held separately for the Group and the Company by the Trustees and the liability of the Fund is determined by the accrued benefit method calculated based on Projected Service Liability for the eligible employees. The monthly maximum tax allowable contribution is paid to the Fund by the Group and the Company. The excess is paid by the Group and the Company to a special account in PETRONAS as a provision for retirement benefits.

An actuarial valuation of the Fund is conducted by a qualified independent actuary at least once in every three years. The last valuation performed was on 31 March 2002 and this valuation showed that the net realisable value of the Fund assets are sufficient to meet the actuarially determined value of vested benefits.

Engen Limited Group of Companies (Engen Group) and its employees contribute to the Engen Pension Fund, Mines Officials' Pension Fund, Namflex Retirement Fund, Engen Retirement Fund and the Chemical Industries National Provident Fund. The Engen Pension Fund is a defined benefit fund and the remaining funds are defined contribution provident funds.

An actuarial valuation on the Engen Pension Fund is conducted by a qualified independent actuary at least once in every three years. The last valuation performed for Engen Pension Fund was 31 December 1999. This valuation showed that the net realisable value of the fund assets are sufficient to meet the actuarially determined value of vested benefits.

### **1.13 Deferred taxation**

Deferred taxation is calculated under the liability method in respect of all material timing differences except where it is reasonably expected that the tax effect of such timing differences will continue in the foreseeable future and there are no indications the timing differences will reverse thereafter. Deferred tax benefits are only recognised where there is reasonable expectation of realisation in the near future.

### **1.14 Foreign currency transactions**

Monetary assets and liabilities in foreign currencies at balance sheet date have been translated at rates ruling on the balance sheet date or at the agreed exchange rate under currency exchange arrangements. Transactions in foreign currencies have been translated into Ringgit Malaysia at rates of exchange ruling on the transaction dates or where forward contracts have been entered into, at the contracted rates. Gains and losses on exchange arising from translation of monetary assets and liabilities are dealt with in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

In accordance with the transitional provisions provided in MASB Standard No. 6 – “The Effects of Changes in Foreign Exchange Rates” exchange differences arising on the translation of long term foreign currency monetary items are being deferred and amortised over the remaining lives to which they relate to. Unamortised gains and losses on exchange are carried forward and included in reserves as “Unrealised gains/losses on translation of long term assets and liabilities”.

Had the Group and the Company not availed themselves of these transitional provisions, the net profit for the year of the Group and of the Company would have increased by RM842,270,000 (2001 - RM1,852,817,000) and RM154,325,000 (2001 - RM410,442,000), respectively. Accordingly, the unappropriated profits brought forward of the Group and of the Company would have been decreased by RM2,097,910 and RM1,047,440 respectively.

On consolidation, the assets and liabilities of certain foreign incorporated subsidiaries are translated into Ringgit Malaysia at the exchange rates approximating those ruling at balance sheet date while the current year's results are translated at the average exchange rates. The difference arising from such translation is included in the Exchange Difference Account.

As for foreign incorporated subsidiaries whose operations are integral to the Group, non-monetary assets and liabilities are translated into Ringgit Malaysia at the exchange rates approximating those ruling on the transaction dates. Monetary assets and liabilities are translated into Ringgit Malaysia at exchange rates approximating those ruling at balance sheet date while the current year's results are translated at the average exchange rates. The difference arising from such translation is dealt with in the income statement.

The closing rates used in the translation of foreign currency assets and liabilities and the financial statements of foreign incorporated subsidiaries are as follows:

(Based on per unit of foreign currency)	<b>2002</b>	<b>2001</b>
USD	RM3.7995	RM3.7995
ZAR	RM0.3359	RM0.4718
JPY	RM0.0286	RM0.0306
GBP	RM5.4120	RM5.4261
EUR	RM3.3097	RM3.3470
PHP	RM0.0745	RM0.0771
DEM	RM1.7134	RM1.7113
AUD	RM2.0251	RM1.8625
FRF	RM0.5115	RM0.5105
THB	RM0.0873	RM0.0849
HKD	RM0.4872	RM0.4872
CHF	RM2.2583	RM2.1992
CNY	RM0.4590	RM0.4590
INR	RM0.0780	RM0.0815
MMK	RM0.5574	RM0.5660
VND	RM0.0003	RM0.0003

### **1.15 Joint ventures**

A joint venture is a contractual agreement whereby the Group and other parties have joint control over an economic activity.

In respect of their interest in jointly controlled operations, the Group and the Company recognise in their financial statements the assets that they control and the liabilities that they incur as well as the expenses that they incur and their share of the income that they earn from the sale of goods or services by the joint venture.

In respect of their interest in jointly controlled assets, the Group and the Company recognise in their financial statements their share of the jointly controlled assets, classified according to the nature of the assets; any liabilities which they have incurred; their share of any liabilities incurred jointly with the other venturers in relation to the joint venture; any income from the sale or use of their share of the output of the joint venture together with their share of any expenses incurred by the joint venture; and any expenses which they have incurred in respect of their interest in the joint venture. In some cases, the joint venture interests are held through subsidiaries.

In respect of its interest in jointly controlled entities, the Group uses the equity method to account for its interest.

Unrealised profits or losses arising from transactions between the Group and its joint venturers are recognised only to the extent of that portion of the gains or losses which is attributable to the interests of the other venturers. Unrealised losses are however recognised in full when the transaction provides evidence of a reduction in the net realisable value of current assets or a decline, other than temporary, in the carrying amount of long term assets.

#### **1.16 Provision for dry docking**

Provision for dry docking is made based on the estimated cost of dry docking and servicing shipping vessels, which are required by international shipping regulations.

#### **1.17 Provision for plant turnaround**

Provision for plant turnaround is made based on the estimated cost of scheduled plant maintenance. Plant turnaround is a requirement by the Authorities.

#### **1.18 Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

#### **1.19 Revenue**

Revenue from sale of oil and gas and general merchandise are recognised in the income statement when the risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognised in the income statement based on actual and estimates of work done in respect of services rendered for long term project management contracts. Work done is measured based on internal certification of project activities. Full provision is made for any foreseeable losses.

Revenue arising from shipping activities is recognised based on the freight receivable for cargoes loaded onto vessels up to the balance sheet date and their relevant discharging costs are accrued in the income statement.

Revenue arising from other shipping related activities are accounted for on a time accrual basis.

Revenue arising from assets yielding interest are recognised on a time proportion basis that takes into account the effective yield on the assets.

Revenue arising from investments yielding dividend are recognised when the shareholders' right to receive payment is established.

Revenue from sales of utilities is recognised in the income statement based on certification of utilities distributed to the buyer at pre-determined rates.

## **1.20 Expenses**

### ***Operating lease payments***

Payments made under operating leases are recognised in the income statement as incurred. Lease incentives received are recognised in the income statement as an integral part of the total lease payments made.

### ***Financing costs***

Finance costs comprise interest payable on borrowings and profit share margin on Islamic Debt Facilities.

All interest and other costs incurred in connection with borrowings are expensed as incurred, other than that capitalised in accordance with Note 1.7. The interest component of finance lease payments is recognised in the income statement so as to give a constant periodic rate of interest on the outstanding liability at the end of each accounting period.

Company No. 20076-K

## 2. PROPERTY, PLANT AND EQUIPMENT

Group	At 1.4.2001 RM'000	Additions RM'000	Acquisition of subsidiaries RM'000	Disposal of a subsidiary RM'000	Disposals/ Write offs RM'000	Adj T E
<b>At 1991 valuation:</b>						
Freehold land	84	-	-	-	-	-
Leasehold land						
- long lease	41,424	-	-	-	-	-
- short lease	645	-	-	-	-	-
Buildings	48,445	-	-	-	-	-
<b>At cost:</b>						
Freehold land	506,092	18,948	-	-	(732)	
Leasehold land						
- long lease	1,192,704	37,511	80,574	-	(7,530)	
- short lease	60,571	4,190	-	-	-	
Lease properties	794,660	20,798	918,947	-	(389)	
Oil and gas properties	12,287,270	368,978	-	-	(73,800)	2,8
Buildings	3,386,379	27,465	5,443	(2,336)	(8,523)	1
Plant	33,392,685	54,822	2,286,207	-	(10,402)	2,1
Expendable capital improvements	34,837	7,674	-	-	(96)	
Office equipment, furniture and fittings	1,059,054	18,866	350	(7,629)	(64,020)	
Other plant and equipment	3,991,139	308,346	105,433	(45,655)	(69,306)	1,5
Computer software and hardware	768,688	143,355	41,705	(417)	(5,043)	
Motor vehicles	176,016	18,994	2,985	-	(29,555)	
Vessels	15,293,870	77,181	-	-	(22,636)	
Project-in-progress						
-oil and gas properties	8,957,967	5,655,371	-	-	(109,921)	(2,1
-other projects	8,619,038	5,023,801	43,033	-	(47,249)	(3,6
	90,611,568	11,786,300	3,484,677	(56,037)	(449,202)	1,0

Company No. 20076-K

Group	At 1.4.2001 RM'000	Charge for the year RM'000	Acquisition of subsidiaries RM'000	Disposal of a subsidiary RM'000	Disposals/ Write offs RM'000	Adj T E
<b>Accumulated depreciation</b>						
<b>At 1991 valuation:</b>						
Freehold land	-	-	-	-	-	-
Leasehold land						
- long lease	7,745	708	-	-	-	-
- short lease	161	17	-	-	-	-
Buildings	9,800	970	-	-	-	-
<b>At cost:</b>						
Freehold land	-	-	-	-	-	-
Leasehold land						
- long lease	141,881	21,689	1,853	-	(1,432)	
- short lease	20,629	2,123	-	-	(734)	
Lease properties	293,922	94,109	92,152	-	(198)	
Oil and gas properties	5,614,075	1,502,285	-	-	(47,993)	4
Buildings	653,752	115,375	-	(354)	(3,352)	
Plant	10,101,137	1,836,711	248,181	-	(55,290)	
Expendable capital improvements	30,725	2,815	-	-	(51)	
Office equipment, furniture and fittings	399,912	129,348	32	(1,681)	(2,520)	
Other plant and equipment	1,300,229	508,777	22,505	(20,048)	(7,232)	
Computer software and hardware	462,995	127,969	16,051	(382)	(15,107)	
Motor vehicles	131,253	13,824	1,807	-	(25,074)	
Vessels	5,288,810	827,128	-	-	(15,109)	
Project-in-progress						
- oil and gas properties	-	-	-	-	-	-
- other projects	-	-	-	-	-	-
	24,457,026	5,183,848	382,581	(22,465)	(174,092)	

Company No. 20076-K

<b>Company</b>	<b>At</b>	<b>Disposals/</b>	<b>Trans-</b>
<b>At cost:</b>	<b>1.4.2001</b>	<b>Additions</b>	<b>Write offs</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Freehold land	52,886	-	-
Leasehold land - long lease	282,899	121	(7,154)
- short lease	34	-	-
Lease properties	368,117	-	-
Buildings	516,005	357	-
Expendable capital improvements	23,756	3,854	(15)
Office equipment, furniture and fittings	720,678	2,420	(288)
Other plant and equipment	8,210	139	-
Computer software and hardware	256,435	53,870	(7,607)
Motor vehicles	26,226	3,898	(10,371)
Projects-in-progress - other projects	254,829	462,865	(78,017)
	2,510,075	527,524	(103,452)
			(76,017)

<b>Accumulated depreciation</b>	<b>At</b>	<b>Disposals/</b>	<b>Trans-</b>
<b>At cost:</b>	<b>1.4.2001</b>	<b>Charge for</b>	<b>Write offs</b>
	<b>RM'000</b>	<b>the year</b>	<b>RM'000</b>
Freehold land	-	-	-
Leasehold land - long lease	30,232	3,096	(1,082)
- short lease	11	1	-
Lease properties	205,557	11,775	-
Buildings	111,450	11,850	-
Expendable capital improvements	20,728	1,710	(13)
Office equipment, furniture and fittings	240,627	53,675	(148)
Other plant and equipment	6,860	434	-
Computer software and hardware	163,229	24,096	(7,414)
Motor vehicles	20,897	1,882	(7,994)
Projects-in-progress - other projects	-	-	-
	799,591	108,519	(16,651)
			(33,651)

Company No. 20076-K

	Group			Net book value 2002 RM'000	
	Depreciation charge for the year ended		31 March 2001 RM'000		
	2002 RM'000	2001 RM'000			
<b>At 1991 valuation:</b>					
Freehold land	84	84	-	-	
Leasehold land					
- long lease	32,971	33,679	708	-	
- short lease	467	484	17	-	
Buildings	37,675	38,645	970	-	
<b>At cost:</b>					
Freehold land	506,098	506,092	-	52,8	
Leasehold land					
- long lease	1,149,630	1,050,823	17,286	243,0	
- short lease	46,810	39,942	3,040	-	
Lease properties	1,236,638	500,738	32,012	150,7	
Oil and gas properties	7,978,365	6,673,195	1,109,025	-	
Buildings	2,683,418	2,732,627	101,527	393,0	
Plant	25,484,469	23,291,548	1,546,428	-	
Expendable capital improvements	9,730	4,112	3,051	5,0	
Office equipment, furniture and fittings	445,508	659,142	118,011	13,5	
Other plant and equipment	3,934,252	2,690,910	295,684	7,9	
Computer software and hardware	393,541	305,693	173,077	77,5	
Motor vehicles	41,002	44,763	18,464	4,9	
Vessels	9,247,530	10,005,060	827,278	-	
Projects-in-progress					
- oil and gas properties	12,399,182	8,957,967	-	-	
- other projects	9,957,470	8,619,038	-	661,4	
	75,584,840	66,154,542	4,246,578	1,611,7	
	=====	=====	=====	=====	

Depreciation charge is allocated as follows:

	<b>Group</b>	
	<b>2002</b> <b>RM'000</b>	<b>2001</b> <b>RM'000</b>
Income statement (Note 20)	5,183,675	4,246,502
Projects-in-progress	173	76
	=====	=====
	5,183,848	4,246,578
	=====	=====

***Revaluation***

The properties stated at revaluation in 1991 were revalued by the Directors based on the valuations of independent professional valuers on the comparison approach method. These valuations have not been updated as it is not the intention of the Group to state properties at valuation, which is in accordance with the transitional provision issued by the Malaysian Accounting Standards Board for the application of International Accounting Standard No. 16 - "Property, Plant and Equipment".

Had the net book value of these properties been carried at historical cost less accumulated depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the year are as follows:

	<b>Group</b>	
	<b>2002</b> <b>RM'000</b>	<b>2001</b> <b>RM'000</b>
Freehold land	102	102
Leasehold land		
- long lease	7,005	9,887
- short lease	740	760
Buildings	123,274	126,444
	=====	=====
	131,121	137,193
	=====	=====

***Security***

Property, plant and equipment of certain subsidiaries costing RM841,184,000 (2001 - RM2,256,718,000) have been pledged as securities for loan facilities as set out in Note 17 to the financial statements.

The additions to projects-in-progress of the Group include the following:

	<b>2002</b> <b>RM'000</b>	<b>2001</b> <b>RM'000</b>
Rental of equipment and vehicles	99	569
Interest on term loans	137,471	81,914
Depreciation capitalised	173	76
	=====	=====

The interest rate on the term loans capitalised approximates 6.11% (2001 - 7.06%) per annum.

**3. INVESTMENT IN SUBSIDIARIES**

	<b>Company</b>	
	<b>2002</b> <b>RM'000</b>	<b>2001</b> <b>RM'000</b>
Investment at cost		
- quoted shares	3,846,352	3,736,323
- unquoted shares	7,621,559	7,126,200
	=====	=====
Allowance for diminution in value	11,467,911 (31)	10,862,523 -
	=====	=====
Market value of quoted shares	11,467,880 =====	10,862,523 =====
	=====	=====

Details of the subsidiaries are stated in Note 34 to the financial statements.

**4. INVESTMENT IN ASSOCIATES**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Investment at cost				
- quoted shares	842,639	1,694,989	181,875	982,117
- unquoted shares	3,868,642	4,585,444	3,018,912	4,115,250
- loan stocks	492,499	492,499	492,499	492,499
Share of post acquisition profits/(losses) and reserves	256,936	(139,492)	-	-
	5,460,716	6,633,440	3,693,286	5,589,866
Less: Allowance for diminution in value	(16,422)	(116,080)	(95,411)	(93,353)
	5,444,294	6,517,360	3,597,875	5,496,513
<i>Represented by:</i>	=====	=====	=====	=====
Group's shares of net assets other than goodwill	5,276,808	6,109,344	-	-
Group's share of goodwill in associates' own financial statements	224	332	-	-
Goodwill on consolidation	167,262	407,684	-	-
	5,444,294	6,517,360	-	-
Market value of quoted shares	515,649	1,122,634	196,018	784,812
	=====	=====	=====	=====

The Group's share of the current year and cumulative losses of certain associates amounting to RM8,279,000 (2001 – RM90,344,000) and RM98,623,000 (2001 – RM90,344,000) respectively have not been recognised in the Group's income statement as equity accounting has ceased with effect from 1 April 2001 when the Group's share of losses of these associates exceeded the carrying amount of its investment in these associates. The investment in these associates has been fully provided for in the income statement.

Details of associates are stated in Note 35 to the financial statements.

**5. OTHER INVESTMENTS**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Long term				
Quoted shares	788,741	220,450	460,468	-
Unquoted shares	402,879	615,397	143,027	143,027
Loan stock	78,000	78,000	78,000	78,000
Other unquoted securities	40,263	38,170	-	-
	1,309,883	952,017	681,495	221,027
Less: Allowance for diminution in value				
Unquoted shares	(101,109)	(101,075)	(100,000)	(100,000)
Loan stock	(78,000)	(78,000)	(78,000)	(78,000)
	1,130,774	772,942	503,495	43,027
Short term	=====	=====	=====	=====
Unquoted shares	-	13,724	-	-
Unquoted Corporate Private Debt Securities	1,568,128	255,872	1,495,189	215,669
Unquoted Corporate Commercial Papers	1,243,780	84,797	1,243,780	56,835
Other unquoted securities	6,727,578	8,048,604	3,663,871	3,102,654
	9,539,486	8,402,997	6,402,840	3,375,158
=====	=====	=====	=====	=====

Market value of quoted investments:

Long term				
Quoted shares	1,087,673	297,658	655,169	-

## 6. LONG TERM RECEIVABLES

Note	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b>Term Loans and Advances</b>				
Loans and advances to subsidiaries	-	-	11,754,339	9,937,548
Term loans to subsidiaries	-	-	18,078,609	17,033,231
Loans and advances to associates	2,569,973	2,221,177	1,826,389	1,590,910
Term loans to associates	782,578	555,301	782,578	555,301
	<hr/>	<hr/>	<hr/>	<hr/>
	3,352,551	2,776,478	32,441,915	29,116,990
Less: Allowance for doubtful debts	(8,140)	(5,293)	(690,995)	(303,880)
	<hr/>	<hr/>	<hr/>	<hr/>
	3,344,411	2,771,185	31,750,920	28,813,110
<b>Others</b>				
Prepayments	138,191	147,381	-	-
Other receivables	1,252,299	2,806,158	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	4,734,901	5,724,724	31,750,920	28,813,110
	<hr/>	<hr/>	<hr/>	<hr/>
Repayable within twelve months	13,183	48,745	302,900	2,808,061
Repayable after twelve months	4,721,718	5,675,979	31,448,020	26,005,049
	<hr/>	<hr/>	<hr/>	<hr/>
	4,734,901	5,724,724	31,750,920	28,813,110
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the Company's loans and advances to subsidiaries is an amount of RM1,392,935,000 (2001 - RM5,289,734,000), which bears interest at rates ranging from 5.32% to 6.37% (2001 - 4.24% to 8.50%) per annum and also an amount of RM273,000,000 (2001 - RM602,973,000), which is pending conversion to equity.

Included in the Company's loans and advances to associates is an amount of RM429,521,000 (2001 - RM290,524,000), which is interest free and pending conversion to equity.

The remaining loans and advances to subsidiaries and associates are unsecured, interest free and have no fixed terms of repayment.

Term loans to subsidiaries and associates were on lending of term loans obtained by the Company on terms and conditions similar as those of the principal loan agreements entered by the Company.

**7. TRADE AND OTHER INVENTORIES**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Petroleum products				
At cost	1,069,736	788,964	29,659	35,183
At net realisable value	-	210,377	-	-
Crude oil and condensate				
At cost	549,414	291,355	-	-
At net realisable value	-	78,768	-	-
Petrochemical products				
At cost	91,538	47,437	-	-
At net realisable value	78,614	73,062	-	-
Liquefied natural gas				
At cost	47,432	57,875	-	-
Stores, spares and others				
At cost	622,990	623,031	448	333
At net realisable value	48,382	-	-	-
	2,508,106	2,170,869	30,107	35,516
	=====	=====	=====	=====

**8. TRADE AND OTHER RECEIVABLES**

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Trade receivables		7,254,459	8,620,997	1,544,947	1,752,340
Staff housing and vehicle loans		837,548	774,107	833,439	768,572
Directors' housing and vehicle loans		429	509	429	509
Other receivables, deposits and prepayments		4,343,847	4,409,530	2,223,753	1,431,299
Amount due from contract customers		31,802	24,081	-	-
Amount due from subsidiaries	9	-	-	4,807,305	6,009,104
Amount due from associates	10	234,949	321,021	85,485	279,659
Term loans due from subsidiaries and associates (current)	6	13,183	48,745	302,900	2,808,061
		12,716,217	14,198,990	9,798,258	13,049,544
		=====	=====	=====	=====

**8. TRADE AND OTHER RECEIVABLES (CONTINUED)**

	Group		Company	
	2002 Note	2001 RM'000	2002 RM'000	2001 RM'000
Balance carried forward		12,716,217	14,198,990	9,798,258 13,049,544
Less: Allowance for doubtful debts		(529,516)	(650,042)	(29,408) (124,680)
Trade receivables				
Amount due from subsidiaries		-	-	(93,715)
Other receivables, deposits and prepayments		(210,626)	(135,310)	(28,218) (25,887)
		11,976,075	13,413,638	9,740,632 12,805,262
		=====	=====	=====

*Amount due from contract customers*

	Group	
	2002 RM'000	2001 RM'000
Aggregate costs incurred to date	248,427	185,621
Add: Attributable profit	21,008	125,716
	=====	=====
	269,435	311,337
Less: Progress billings	(237,633)	(287,256)
	=====	=====
	31,802	24,081
	=====	=====

The staff housing and vehicle loans are given in accordance with terms and conditions of the staff housing and motor vehicle loan schemes approved by shareholders.

The loans to Directors of the Company relate to housing and motor vehicle loans given to certain executive Directors on terms and conditions as approved by shareholders.

**9. AMOUNTS DUE FROM/TO SUBSIDIARIES**

The amounts due from/to subsidiaries arose in the normal course of business.

**10. AMOUNTS DUE FROM/TO ASSOCIATES**

The amounts due from/to associates arose in the normal course of business.

**11. FUND INVESTMENTS**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Quoted shares and securities	1,252,887	2,478,922	923,640	2,256,878
Malaysian Government Securities	3,770,640	2,565,801	3,522,095	2,347,891
	=====	=====	=====	=====
	5,023,527	5,044,723	4,445,735	4,604,769
	=====	=====	=====	=====
Market value of quoted investments:				
Quoted shares and securities	1,331,170	2,611,841	986,130	2,358,361
Malaysian Government Securities	3,800,579	2,704,831	3,552,305	2,489,574
	=====	=====	=====	=====

**12. CASH AND CASH EQUIVALENTS**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Cash and bank balances	824,407	677,231	43,120	3,126
Deposits	27,374,316	30,209,748	16,942,361	19,169,888
	=====	=====	=====	=====
	28,198,723	30,886,979	16,985,481	19,173,014
	=====	=====	=====	=====
Deposits are placed with:				
Licensed banks	19,395,484	22,052,645	11,244,982	13,892,213
Finance companies	1,679,885	2,597,867	1,335,560	1,491,806
Other corporations	6,298,947	5,559,236	4,361,819	3,785,869
	=====	=====	=====	=====
	27,374,316	30,209,748	16,942,361	19,169,888
	=====	=====	=====	=====

Included in cash and bank balances and deposits of the Group is an amount of RM55,831,000 (2001 - RM11,157,000) and RM183,278,000 (2001 - RM845,759,000) respectively where there is restriction on their usage to pay certain permitted expenses only.

**13. TRADE AND OTHER PAYABLES**

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Trade payables		3,174,773	3,610,362	251,414	248,119
Other payables		9,493,026	10,069,183	6,008,625	5,837,220
Amount due to contract customers		2,873	1,876	-	-
Amount due to:					
Subsidiaries	9	-	-	226,436	121,055
Associates	10	4,852	24,649	-	20,853
		12,675,524	13,706,070	6,486,475	6,227,247
		=====	=====	=====	=====

*Amount due to contract customers:*

	Group	
	2002 RM'000	2001 RM'000
Aggregate cost incurred to date	772	4,269
Add: Attributable profit	(24)	2,254
	748	6,523
Less: Progress billings	(3,621)	(8,399)
	(2,873)	(1,876)
	=====	=====

**14. SHARE CAPITAL**

	Company	
	2002 RM'000	2001 RM'000
Authorised:		
500,000 ordinary shares of RM1,000 each	500,000	500,000
	=====	=====
Issued and fully paid:		
100,000 ordinary shares of RM1,000 each	100,000	100,000
	=====	=====

## 15. RESERVES

	Group 2002 RM'000	2001 RM'000	Company 2002 RM'000	2001 RM'000
<b><i>Non-Distributable</i></b>				
Capital reserves				
Balance at 1 April	844,081	839,791	-	-
Share of reserves of associates	(928)	(1,796)	-	-
Transfer from unappropriated profits	189,977	6,086	-	-
	-----	-----	-----	-----
Balance at 31 March	1,033,130	844,081	-	-
	-----	-----	-----	-----
Reserve or (Goodwill) on consolidation				
Balance at 1 April	(71,246)	(24,067)	-	-
Additions during the year	(7,951)	(47,179)	-	-
Minority shareholders' share of goodwill on consolidation	(9,205)	-	-	-
	-----	-----	-----	-----
Balance at 31 March	(88,402)	(71,246)	-	-
	-----	-----	-----	-----
Exchange Difference Account				
Balance at 1 April	(697,084)	(180,594)	-	-
Net movement from exchange differences	(530,760)	(516,490)	-	-
	-----	-----	-----	-----
Balance at 31 March	(1,227,844)	(697,084)	-	-
	-----	-----	-----	-----
Unrealised gains/(losses) on translation of long term assets and liabilities				
Balance at 1 April	(2,940,180)	(4,792,997)	(1,794,962)	(2,205,404)
Unrealised gains/(losses) during the year	47,493	686,825	(15,482)	273,008
Realised loss during the year	-	-	593,197	-
Amortisation during the year	791,740	1,007,553	169,807	137,434
Minority shareholders' share of unrealised loss on translation of long term assets and liabilities	3,037	158,439	-	-
	-----	-----	-----	-----
Balance at 31 March	(2,097,910)	(2,940,180)	(1,047,440)	(1,794,962)
	-----	-----	-----	-----

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
<b><i>Distributable</i></b>					
General reserve					
Balance at 1 April/ 31 March		12,000,000	12,000,000	12,000,000	12,000,000
-----		-----	-----	-----	-----
Unappropriated profits					
Balance at 1 April		44,698,315	32,316,456	29,309,395	22,165,178
Net profit for the year		14,568,486	16,487,945	10,472,982	11,244,217
Transfer to capital redemption reserve of a subsidiary		-	(6,000)	-	-
Transfer to statutory reserve of a subsidiary		-	(86)	-	-
Transfer to capital reserves		(189,977)	-	-	-
Dividend	24	(4,100,000)	(4,100,000)	(4,100,000)	(4,100,000)
-----		-----	-----	-----	-----
Balance at 31 March		54,976,824	44,698,315	35,682,377	29,309,395
-----		-----	-----	-----	-----
		64,595,798	53,833,886	46,634,937	39,514,433
		=====	=====	=====	=====

Pursuant to Section 84 of the Petroleum (Income Tax) Act 1967, dividends paid out on income derived from petroleum operations are not chargeable to income tax. Subject to agreement by Inland Revenue Board, the Company has sufficient income derived from petroleum operations, Section 108 tax credit and tax exempt income to distribute all its distributable reserves at 31 March 2002, if paid out as dividends.

## 16. MINORITY SHAREHOLDERS' INTERESTS

This consists of the minority shareholders' proportion of share capital and reserves of subsidiaries.

**17. BORROWINGS**

	Note	Group		Company		
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000	
<b><i>Current</i></b>						
Secured						
Term loans		559,043	1,127,057	-	-	
Islamic debt facilities	18	7,478	6,897	-	-	
		566,521	1,133,954	-	-	
<hr/>						
Unsecured						
Term loans		2,963,282	1,827,854	466,309	451,660	
Notes and Bonds		885,133	2,524,734	885,133	2,524,734	
Islamic debt facilities	18	412,142	211,956	-	-	
Revolving credits		283,990	-	-	-	
Bankers' acceptances		36,806	55,463	-	-	
Bank overdrafts		498,051	-	-	-	
		5,079,404	4,620,007	1,351,442	2,976,394	
<hr/>						
		5,645,925	5,753,961	1,351,442	2,976,394	
<hr/>						
<b><i>Non-current</i></b>						
Secured						
Term loans		2,661,598	3,816,431	-	-	
Islamic debt facilities	18	42,666	49,650	-	-	
		2,704,264	3,866,081	-	-	
<hr/>						
Unsecured						
Term loans		11,019,405	9,257,920	3,918,346	2,714,171	
Notes and Bonds		18,053,580	19,230,508	18,053,580	19,230,508	
Islamic debt facilities	18	2,948,462	2,509,980	-	-	
		32,021,447	30,998,408	21,971,926	21,944,679	
<hr/>						
		34,725,711	34,864,489	21,971,926	21,944,679	
<hr/>						

***Terms and debt repayment schedule***

<b>Group</b>	<b>Total</b> <b>RM'000</b>	<b>Under</b> <b>1 year</b> <b>RM'000</b>	<b>1 - 2</b> <b>years</b> <b>RM'000</b>	<b>2 - 5</b> <b>years</b> <b>RM'000</b>	<b>Over 5</b> <b>years</b> <b>RM'000</b>
Secured					
Term loans	3,220,641	559,043	740,668	1,664,958	255,972
Islamic debt facilities	50,144	7,478	8,149	29,198	5,319
	3,270,785	566,521	748,817	1,694,156	261,291
Unsecured					
Term loans	13,982,687	2,963,282	2,133,974	4,580,837	4,304,594
Notes and Bonds	18,938,713	885,133	4,616,671	8,006,168	5,430,741
Islamic debt facilities	3,360,604	412,142	806,743	2,088,809	52,910
Revolving credits	283,990	283,990	-	-	-
Bankers' acceptances	36,806	36,806	-	-	-
Bank overdrafts	498,051	498,051	-	-	-
	37,100,851	5,079,404	7,557,388	14,675,814	9,788,245
	40,371,636	5,645,925	8,306,205	16,369,970	10,049,536

Included in the Group unsecured term loans is an amount of RM1,935,188,000 (2001 - RM1,331,419,000) which was obtained from the corporate shareholders of the subsidiaries.

The unsecured revolving credits, bankers' acceptances and bank overdrafts are obtained by the subsidiaries and bear interest at rates ranging from 2.42% to 11.00% (2001 – 2.70% to 3.30%).

***Terms and debt repayment schedule***

<b>Company</b>	<b>Total</b> <b>RM'000</b>	<b>Under</b> <b>1 year</b> <b>RM'000</b>	<b>1 - 2</b> <b>years</b> <b>RM'000</b>	<b>2 - 5</b> <b>years</b> <b>RM'000</b>	<b>Over 5</b> <b>years</b> <b>RM'000</b>
Unsecured					
Term loans	4,384,655	466,309	602,430	1,986,883	1,329,033
Notes and Bonds	18,938,713	885,133	4,616,671	8,006,168	5,430,741
	23,323,368	1,351,442	5,219,101	9,993,051	6,759,774

	<b>2002</b>	<b>2001</b>
<i><b>The unsecured Term Loans obtained by the Company comprise:</b></i>		
USD Term Loans	US\$1,467.8 million	US\$1,131.6 million
EUR Term Loans	€50.6 million	Nil
JPY Term Loans	¥16.0 billion	¥16.0 billion
RM Term Loans	RM409.6 million	RM409.6 million

***The unsecured Term Loans obtained by the subsidiaries comprise:***

USD Term Loans	US\$3,374.7 million	US\$2,583.7 million
ZAR Term Loans	R1,066.5 million	R466.5 million
RM Term Loans	RM941.8 million	RM985.8 million
PHP Term Loans	Nil	PHP54.0 million

These unsecured term loans bears interest at rates ranging from 2.00% to 14.25% (2001 - 2.00% to 14.25%) per annum and are fully repayable at their various due dates from 2002 to 2014.

		2002	2001
<b><i>The unsecured Notes and Bonds comprise:</i></b>			
<b>USD Notes and Bonds</b>			
7 1/8% Notes	Due 2005	US\$375.0 million	US\$375.0 million
6 5/8% Notes	Due 2001	-	US\$600.0 million
7 1/8% Notes	Due 2006	US\$800.0 million	US\$800.0 million
8 7/8% Notes	Due 2004	US\$650.0 million	US\$650.0 million
6 7/8% Bonds	Due 2003	US\$500.0 million	US\$500.0 million
7 3/4% Bonds	Due 2015	US\$625.0 million	US\$625.0 million
7 5/8% Bonds	Due 2026	US\$500.0 million	US\$500.0 million

## Samurai Bonds

1st	Series	4.10%	Due 2003	¥50.0 billion	¥50.0 billion
2nd	Series	2.70%	Due 2001	-	¥ 8.0 billion
3rd	Series	3.60%	Due 2006	¥14.0 billion	¥14.0 billion
4th	Series	2.15%	Due 2003	¥11.0 billion	¥11.0 billion
5th	Series	2.90%	Due 2007	¥11.0 billion	¥11.0 billion
6th	Series	3.40%	Due 2013	¥16.0 billion	¥16.0 billion
7th	Series	2.00%	Due 2002	¥20.0 billion	¥20.0 billion
8th	Series	2.40%	Due 2004	¥10.0 billion	¥10.0 billion
9th	Series	3.00%	Due 2007	¥10.0 billion	¥10.0 billion
10th	Series	5.90%	Due 2004	¥34.0 billion	¥34.0 billion
11th	Series	7.20%	Due 2009	¥17.0 billion	¥17.0 billion

***The secured Term Loans comprise:***

	<b>In million</b>		<b>Securities</b>
	<b>2002</b>	<b>2001</b>	
USD Term Loans	US\$221.4	US\$371.3	Secured by way of a mortgage over certain vessels, together with assignments of earnings, charter agreements and insurance of the relevant vessels of certain subsidiaries.
USD Term Loan	-	US\$36.6	Secured by way of a fixed charge over the interest of a foreign subsidiary in the Nkossa field in South Africa and the Haute Mer Licence and related assets and over cash and bank balances of RM107,146,000 (R318,931,000) (2001-RM11,024,000 (R23,366,000)) held in an escrow account. These loans were fully repaid during the year.
USD Term Loans	US\$737.0	US\$737.0	Secured against proceeds from sales of crude oil and rental of pipelines of two subsidiaries.
USD Term Loan	US\$92.0	US\$92.0	Secured against proceeds from rental of pipelines of a subsidiary.
USD Term Loan	US\$83.2	US\$83.2	Secured against proceeds from sales of gas of a subsidiary.
USD Term Loan	US\$10.0	-	Secured by a fixed charge over Block 16/26 in the North Sea, United Kingdom.
ZAR Term Loans	R935.0	R1,535.0	Secured over plant and deposits of a foreign subsidiary.
RM Term Loans	-	RM63.3	Secured by way of a mortgage over three (2001 - three) vessels of a subsidiary. These loans were fully repaid during the year.
PHP Term Loans	-	PHP250.0	Secured by way of a mortgage over the property, plant and equipment of a foreign subsidiary. These loans were fully repaid during the year.

The secured term loans bear interest at rates ranging from 6.83% to 13.91% (2001 – 6.00% to 20.75%) per annum and are fully repayable at their various due dates from 2002 to 2008.

Certain of the borrowings (Term Loans, Notes and Bonds) obtained by the Company are on-lent to subsidiaries and associates. At balance sheet date, the amounts on-lent to subsidiaries and associates remain outstanding as follows:

	<b>Company</b>	
	<b>2002</b>	<b>2001</b>
	<b>RM'000</b>	<b>RM'000</b>
Borrowings - unsecured		
Subsidiaries - within twelve months	289,717	2,759,316
- after twelve months	17,788,892	14,273,915
	18,078,609	17,033,231
	=====	=====
Associates - within twelve months	13,183	48,745
- after twelve months	769,395	506,556
	782,578	555,301
	=====	=====

In connection with the long term borrowing facility agreements, the Group and the Company have agreed on the following significant covenants with the lenders:

### **Company**

- (a) the amount of total liabilities of the Company shall not exceed at any given time the amount of total assets of the Company;
- (b) not to allow any material indebtedness (the aggregate amount exceeding US\$20,000,000 or its equivalent in any other currency) for borrowed money of the Company to become due or capable of being declared due before its stated maturity, any material guarantee of the Company is not discharged at maturity or when validly called or the Company goes into default under, or commits a breach of, any instrument or agreement relating to any such indebtedness for borrowed money or guarantee and such default or breach remains unpaid or unremedied for a period of ten (10) business days;
- (c) 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 ten per cent (10%) of the consolidated net tangible assets; and

(d) not to enter into any sale and leaseback transaction, unless the attributable debt in respect of such sale and leaseback transaction and all other sale and leaseback transaction plus the aggregate outstanding principal amount of indebtedness for borrowed money secured by security interests (other than permitted security interests) then outstanding which have not equally and rateably secured the total outstandings would not exceed ten per cent (10%) of the Company's tangible net worth provided that, within 12 months after such sale and leaseback transaction, it applies to the retirement of indebtedness for borrowed money the repayment obligations in respect of which are at least pari passu with its repayment obligations hereunder and which are not secured by any security interest, an amount equal to the greater of:

- (i) 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
- (ii) the fair market value of the property or other assets so leased as determined by the Company.

## 18. ISLAMIC DEBT FACILITIES

*The Islamic debt facilities obtained by the subsidiaries comprise:*

	2002	2001
<b><i>Secured</i></b>		
Al Bai'bithaman Ajil long term facility	RM78.0 million	RM78.0 million

The secured Islamic debt facility bears a yield of 8.80% (2001 - 8.80%) per annum and is fully repayable at its various due dates from 2002 to 2007.

	2002	2001
<b><i>Unsecured</i></b>		
Al Bai'bithaman Ajil long term facilities	RM500.0 million	RM500.0 million
Murabahah Note Issuance Facilities	RM1,373.7 million	RM1,376.4 million
Al Murabahah Commercial Papers	RM50.0 million	RM51.0 million
Al Murabahah Medium Term Notes	RM1,215.0 million	RM805.0 million
Bai Al-Dayn Note Issuance Facilities	RM225.0 million	-

The unsecured Islamic debt facilities bear a yield ranging from 2.89% to 7.75% (2001 - 2.84% to 7.75%) per annum and are fully repayable at their various due dates from 2002 to 2008.

**19. OTHER LONG TERM LIABILITIES AND PROVISIONS**

	<b>Group</b>		<b>Company</b>	
	<b>2002</b> <b>RM'000</b>	<b>2001</b> <b>RM'000</b>	<b>2002</b> <b>RM'000</b>	<b>2001</b> <b>RM'000</b>
Deferred taxation	2,766,831	2,389,724	-	-
Removal of offshore installations	443,666	390,435	372,514	327,514
Provision for exploration cost	2,249	584,199	2,249	584,199
Provision for dry docking	9,529	140,762	-	-
Provision for plant turnaround	155,513	156,484	-	-
Post retirement medical aid	86,625	99,390	-	-
	—————	—————	—————	—————
	3,464,413	3,760,994	374,763	911,713
	=====	=====	=====	=====

Subject to agreement by the Inland Revenue Board, the Company has the following which has not been accounted for as a deferred tax benefit:

	<b>2002</b> <b>RM'000</b>	<b>2001</b> <b>RM'000</b>
Other timing differences	807,300	2,421,042
	=====	=====

**20. OPERATING PROFIT**

	<b>Group</b>		<b>Company</b>	
	<b>2002</b> RM'000	<b>2001</b> RM'000	<b>2002</b> RM'000	<b>2001</b> RM'000
<b>Revenue</b>				
- sales of oil and gas	60,593,992	66,856,516	26,156,014	32,407,832
- sales of utilities	287,878	154,830	-	-
- sales of general merchandise	340,075	57,459	-	-
	61,221,945	67,068,805	26,156,014	32,407,832
	-----	-----	-----	-----
- rendering of services	697,099	714,469	4,552	4,537
- shipping and shipping related services	3,060,635	3,370,687	-	-
	3,757,734	4,085,156	4,552	4,537
	-----	-----	-----	-----
- dividend income in Malaysia (Quoted)				
- subsidiaries	-	-	704,044	282,677
- associates	-	-	20,514	3,504
- investments	18,919	8,007	9,379	8,007
in Malaysia (Unquoted)				
- subsidiaries	-	-	3,936,333	3,187,182
- associates	-	-	1,712	2,108
- investment	848	3,871	-	-
outside Malaysia (Quoted)				
- investments	18,745	26,266	3,326	-
outside Malaysia (Unquoted)				
- subsidiaries	-	-	10,060	10,364
- investments	21,030	11,563	3,359	3,435
	59,542	49,707	4,688,727	3,497,277
	-----	-----	-----	-----
- interest income	2,141,648	2,147,395	1,113,924	1,055,184
	67,180,869	73,351,063	31,963,217	36,964,830
	-----	-----	-----	-----
<b>Cost of revenue</b>				
- cost of sales	(32,618,500)	(31,576,525)	(12,581,952)	(14,769,177)
- cost of services	(3,102,010)	(3,049,447)	-	-
	35,720,510	34,625,972	12,581,952	14,769,177
	-----	-----	-----	-----

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Gross profit	31,460,359	38,725,091	19,381,265	22,195,653
Selling and distribution expenses	(2,226,722)	(2,060,973)	(365,235)	(316,104)
Administration expenses	(2,679,235)	(5,223,644)	(2,055,077)	(3,411,317)
Other operating expenses	(1,664,733)	(1,402,520)	(812,018)	(346,872)
Other operating income	1,609,939	1,756,286	732,497	520,061
 Operating profit	 26,499,608	 =====	 31,794,240	 =====
			16,881,432	18,641,421
 Included in operating profit are the following charges:	 =====	 =====	 =====	 =====
Audit fees	6,473	6,861	580	550
Depreciation of property, plant and equipment	5,183,675	4,246,502	108,519	151,915
Directors' remuneration:				
Emoluments	2,555	2,229	2,555	2,229
Fees	934	1,253	281	249
Legal fees paid to firm in which a director is a partner	29	25	22	13
Loss on disposal of property, plant and equipment	62,055	-	45,680	-
Loss on realised foreign exchange				
Non-trade	119,091	47,393	725,255	47,005
Loss on unrealised foreign exchange				
Trade	-	6,087	-	-
Non-trade	759,119	1,090,784	-	248,944
Property, plant and equipment written off	47,205	77,349	-	26,152
Operating lease rental	430,018	422,078	317,718	306,359
Property, plant and equipment expensed off	26,386	36,650	4,609	2,671
Allowance for:				
Doubtful debts	134,370	355,575	297,618	547,947
Diminution in value - associates	2,011	99,514	2,058	93,353
Provision for:				
Exploration cost	-	250,000	-	250,000
Dry docking	110,606	205,520	-	-
Plant turnaround expenses	113,510	83,425	-	-
Rental of land and buildings	169,663	165,983	5,945	11,359
Rental of plant, machinery, equipment and motor vehicles	295,862	181,262	75,951	4,634
	=====	=====	=====	=====

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Included in operating profit are the following charges (continued):				
Research and development expenditure	231,535	60,828	230,651	60,592
Contribution to retirement benefits	67,700	35,735	12,586	9,854
Write down of inventories to net realisable value	16,319	36,155	-	-
Written off				
Bad debts	23,156	28,936	25	-
Expenditure carried forward	-	59,291	-	-
Inventories	14,900	23,891	-	-
Contribution to Tabung Amanah Negara	100,000	100,000	100,000	100,000
=====	=====	=====	=====	=====
and credits:				
Bad debts recovered	12,621	1,199	-	-
Gain on disposal of property, plant and equipment	3,520	32,640	910	902
Gain on disposal of partial shareholdings in subsidiaries and associates	-	202,377	73,029	92,068
Gain on disposal of an unquoted subsidiary	29,450	-	-	-
Gain on realised foreign exchange Trade	23,586	4,166	-	-
Gain on unrealised foreign exchange				
Trade	16,688	-	-	-
Non-trade	-	-	10,304	-
Allowance for doubtful debts written back	176,733	1,440	97,159	-
Allowance for diminution in value of loan stocks written back	-	32,000	-	32,000
Reversal of allowance for diminution in value of associates	101,669	-	-	-
Rental income on land and buildings	169,544	174,615	159,743	108,413
Other interest income				
Loan stocks	6,237	8,176	6,237	8,176
Others	258,708	285,336	370,583	191,438
=====	=====	=====	=====	=====

The estimated monetary value of Directors' benefits-in-kind is RM94,343 (2001 – RM97,100) and RM94,343 (2001 - RM97,100) at the Group and Company level respectively.

## 21. EMPLOYEES INFORMATION

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Staff costs	1,986,815 =====	1,733,462 =====	280,321 =====	226,180 =====

The number of employees of the Group and of the Company (including Directors) at the end of the year was 25,733 (2001 - 23,441) and 2,742 (2001 - 2,321) respectively.

## 22. OPERATING LEASES

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Less than one year	440,398	479,487	317,718	317,718
Between one and five years	1,765,576	1,620,587	1,371,323	1,332,935
More than five years	2,117,712	2,351,259	2,122,106	2,478,212
	=====	=====	=====	=====
	4,323,686 =====	4,451,333 =====	3,811,147 =====	4,128,865 =====

The Group leases a number of buildings and floating production storage offloading vessels under operating leases. The leases typically run for an initial period ranging from five to fifteen years, with an option to renew the leases/purchase the assets after the initial period. None of the leases include contingent rentals.

**23. TAX EXPENSES**

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Current tax expenses				
Malaysia				
Current year	7,427,814	9,854,250	5,849,242	6,747,912
Prior year	(119,108)	1,271	-	-
Overseas				
Current year	172,695	249,337	-	-
Prior year	7,673	-	-	-
	7,489,074	10,104,858	5,849,242	6,747,912
-----	-----	-----	-----	-----
Deferred tax expense				
Malaysia				
Current year	522,317	200,175	-	-
Prior year	(21,000)	-	-	-
Overseas				
Current year	(18,100)	(59,941)	-	-
Prior year	(12,849)	921	-	-
	470,368	141,155	-	-
-----	-----	-----	-----	-----
Tax expense on share of profit of associates				
	184,022	51,042	-	-
-----	-----	-----	-----	-----
	8,143,464	10,297,055	5,849,242	6,747,912
=====	=====	=====	=====	=====

The Group's and Company's effective tax rate are higher than the *prima facie* corporate tax rate as the profit derived from petroleum operations are taxable at a higher tax rate under the Petroleum (Income Tax) Act, 1967.

**24. DIVIDEND**

	Company	
	2002 RM'000	2001 RM'000
Proposed final tax exempt dividend of RM41,000 (2001 -RM41,000) per ordinary share under Section 84 of the Petroleum (Income Tax) Act, 1967	4,100,000	4,100,000
	=====	=====

**25. NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES**

The cash (used in) or generated from investing activities comprise:

	Note	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Acquisition of subsidiaries, net of cash acquired	27	213,731	1,568	-	-
Acquisition of additional shares in subsidiaries		(571,820)	(248,462)	(530,993)	(428,462)
Disposal of a subsidiary, net of cash disposed	28	63,500	-	-	-
Proceeds from disposal of a partial shareholdings in subsidiaries		-	257,718	-	257,718
Redemption of preference shares in a subsidiary		-	-	-	180,000
Investment in associates and unquoted companies		(508,232)	(1,367,637)	(210,537)	(1,266,576)
Proceeds from disposal of investment in an associate		-	139,376	-	-
Investment in shares and securities		(8,255,967)	(7,294,276)	(7,032,933)	(4,570,312)
Proceeds from sale of shares and securities		7,054,237	5,852,649	4,113,514	4,445,421
Dividends received		59,542	49,707	3,802,920	2,934,620
Purchase of property, plant and equipment		(11,648,656)	(11,633,950)	(527,524)	(357,527)
Proceeds from sale of property, plant and equipment		169,373	751,589	467,604	1,006
		(13,424,292)	(13,491,718)	82,051	1,195,888
		=====	=====	=====	=====

**26. NET CASH USED IN FINANCING ACTIVITIES**

The cash used in financing activities comprise:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Proceeds from shares issued to minority shareholders by subsidiaries	-	218,276	-	-
Drawdown of Islamic Debt Facilities	885,183	1,467,000	-	-
Repayment of Islamic Debt Facilities	(252,918)	(1,370,290)	-	-
Drawdown of Term loans	4,741,982	2,553,110	1,632,538	1,160,432
Repayment of Term loans, Notes and Bonds	(6,185,486)	(3,443,611)	(2,960,004)	(433,018)
Drawdown of Revolving Credits and Bankers Acceptances	317,564	55,463	-	-
Repayment of Bankers' Acceptances	(52,231)	-	-	-
Dividends paid	(5,548,000)	(4,100,000)	(5,548,000)	(4,100,000)
Dividends paid to minority shareholders of subsidiaries	(1,605,477)	(1,311,176)	-	-
Redemption of preference shares by minority shareholders of a subsidiary	-	(120,000)	-	-
Long term receivables and advances to associates	(1,054,936)	(848,914)	(542,531)	(588,298)
Long term receivables and advances (to)/from subsidiaries	-	-	(1,163,904)	3,835,246
Other long term receivables	59,398	(571,374)	-	-
	(8,694,921)	(7,471,516)	(8,581,901)	(125,638)
	=====	=====	=====	=====

## **27. ACQUISITION OF SUBSIDIARIES**

**(a) Malaysian Refining Company Sdn. Bhd. (“MRC”)**

On 1 April 2001, the Company acquired an additional 8% equity shareholding in its associate, MRC, for a purchase consideration of USD20,000,000 (RM76,000,000). As a result, MRC became a subsidiary of the Group. For the year ended 31 March 2002, the additional 8% equity shareholding contributed a net loss of RM21,370,000 to the consolidated net profit for the year.

**(b) PETRONAS Unique Petroleum Co. Ltd. (“PUPCL”)**

On 15 February 2002, a subsidiary acquired 51% equity shareholding in PUPCL, an associate of the Group, for a purchase consideration of Baht 7,479,000 (RM632,000). As a result, PUPCL became a wholly owned subsidiary of the Group. Subsequent to the acquisition, PUPCL changed its name to PETRONAS Marketing Thailand Co. Ltd. (“PMTCL”). The net loss contributed by PMTCL from the date of acquisition to the year ended 31 March 2002 is not material in relation to the consolidated net profit for the year.

**(c) PETRONAS Energy Philippines Inc. (“PEPI”)**

In the previous year, a subsidiary acquired an additional 20% equity shareholding in PEPI for a total purchase consideration of PHP159,025,000 (RM14,710,000). As a result, PEPI became a subsidiary of the Group. The acquisition was accounted for using the acquisition method of accounting. The net loss contributed by PEPI from the date of acquisition to the year ended 31 March 2001 was not material in relation to the consolidated net profit for the previous year.

**(d) Sea Maestro Shipping Limited (“Sea Maestro”)**

In the previous year, a quoted subsidiary acquired an additional 50% equity shareholding in Sea Maestro, an associate of the quoted subsidiary. As a result, Sea Maestro became a subsidiary of the Group. The purchase consideration of RM5,921,000 was satisfied by the disposal of the entire equity shareholding in an associate, Sea Master Shipping Limited for RM7,247,000 and a cash receipt of RM1,326,000. The net profit contributed by Sea Maestro from the date of acquisition to the year ended 31 March 2001 was not material in relation to the consolidated net profit for the previous year.

## (e) Leo Shipping Private Limited (“Leo Shipping”)

In the previous year, a quoted subsidiary acquired an additional 50% equity shareholding in Leo Shipping, an associate of the quoted subsidiary for a purchase consideration of RM2,635,000. As a result, Leo Shipping became a subsidiary of the Group. The net profit contributed by Leo Shipping from the date of acquisition to the year ended 31 March 2001 was not material in relation to the consolidated net profit for the previous year.

The effect of the above acquisitions on the cash flows and fair values of assets and liabilities acquired are as follows:

	2002 RM'000	2001 RM'000
Property, plant and equipment	3,102,096	77,429
Current assets	2,615,618	46,933
Current liabilities	(2,637,359)	(90,342)
Borrowings	(1,560,874)	(45,956)
Minority shareholders' interest at the date of acquisitions	(713,916)	(377)
Exchange difference account	268	336
Provision for plant turnaround	(9,184)	-
	<hr/>	<hr/>
	796,649	(11,977)
Less: Interest previously held and classified as associates	(682,666)	12,644
	<hr/>	<hr/>
Fair value of net assets acquired	113,983	667
Add: (Reserve) or Goodwill on consolidation	(37,351)	8,104
	<hr/>	<hr/>
Add: Consideration satisfied by shares in an associate	76,632	8,771
	-	7,247
	<hr/>	<hr/>
Purchase consideration	76,632	16,018
Less: Cash and cash equivalents of subsidiaries acquired	(290,363)	(17,586)
	<hr/>	<hr/>
Cash flow on acquisition net of cash acquired	(213,731)	(1,568)
	=====	=====

## 28. DISPOSAL OF SUBSIDIARY

On 28 February 2002, the Group disposed off West Port Bunkering Services Sdn. Bhd. The subsidiary contributed a loss of RM4,602,000 to the consolidated net profit for the year ended 31 March 2001 and a loss of RM4,938,000 to the consolidated net profit for the 11 months ended 28 February 2002.

The net book value of assets and liabilities disposed were as follows:

	<b>RM'000</b>
Property, plant and equipment	33,572
Current assets	478
<hr/>	
Net assets disposed of	34,050
Gain on disposal	29,450
<hr/>	
Cash flow on disposal net of cash disposed	63,500
<hr/>	

## 29. COMMITMENTS

Outstanding commitments at balance sheet date not provided for in the financial statements are:

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Property, plant and equipment				
Approved and contracted for	8,818,937	8,075,856	19,125	201,414
Approved but not contracted for	6,632,785	4,874,834	33,747	240,055
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	15,451,722	12,950,690	52,872	441,469
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Share of capital expenditure of joint ventures				
Approved and contracted for	4,494,190	6,230,669	-	-
Approved but not contracted for	10,782,616	8,853,195	-	-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	15,276,806	15,083,864	-	-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	30,728,528	28,034,554	52,872	441,469
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Investment in shares				
Approved and contracted for	2,266,064	-	2,087,563	-
Approved but not contracted for	19,338	2,000	19,338	2,000
	2,285,402	2,000	2,106,901	2,000
	-----	-----	-----	-----
	33,013,930	28,036,554	2,159,773	443,469
	=====	=====	=====	=====

In the previous year, the Group and the Company also have commitments to subscribe for shares in associates amounting to RM1,879,698,000 and RM85,338,000 respectively to fund their capital commitments.

### 30. CONTINGENT LIABILITIES (UNSECURED)

	Group		Company	
	2002	2001	2002	2001
	RM'000	RM'000	RM'000	RM'000
Guarantees for loan facilities given to subsidiaries and associates	392,920	512,108	6,445,879	4,619,108
Guarantees for banking facilities given to third party agents	-	5,646	-	-
Claims filed against subsidiaries by third parties in respect of cost incurred for the tubular handling services provided, storage of material and construction of pipeline	107,128	107,128	-	-
Claims filed against a subsidiary by a buyer on non performance of its contractual obligation	11,247	17,100	-	-
Uncertainty of the recoverability of a debt in a foreign subsidiary	-	98,787	-	-
Claims filed against a subsidiary by a supplier relating to shipment of cargo	13,888	-	-	-
	525,183	740,769	6,445,879	4,619,108
	=====	=====	=====	=====

In the previous year, a State Government filed a legal suit against the Company claiming that it was entitled to certain cash payments arising out of the production of crude oil and gas from the continental shelf offshore of the State concerned. The amount has been fully provided for in the financial statements. The legal suit is still on-going as at year end.

### 31. SIGNIFICANT RELATED CORPORATION TRANSACTIONS

Other than as disclosed elsewhere in the notes to the financial statements, the significant related corporation transactions are as follows:

	Company	
	2002	2001
	RM'000	RM'000
Subsidiaries:		
Sale of crude oil, petroleum products and natural gas	11,761,982	14,180,270
Interest receivable from subsidiaries	340,820	35,740
Rental income on buildings	64,048	57,667
Purchase of crude oil and natural gas	5,189,546	6,150,495
Gas processing fee payable	1,645,570	1,647,209
Exploration cost borne by the Company	634,355	276,634
Rental of facilities	50,000	50,000
Legal fees borne by the Company	7,385	20,839
	=====	=====

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.

### 32. SEGMENTAL INFORMATION

Segment information is presented in respect of the Group's business and geographical segments.

Intersegment transactions have been entered into in the normal course of business and have been established on a commercial basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

#### *Business segments*

The Group comprises the following main business segments:

Oil and gas	Exploration, development and production of oil and gas and the refining, processing, marketing and distribution of petroleum and petrochemical products.
Shipping	Shipping and shipping related activities.

#### *Geographical segments*

The oil and gas segments operates mainly in two principal geographical areas namely Malaysia and Africa. The shipping business segment operates in Malaysia and a number of countries (rest of the world).

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	Oil and gas		Shipping		Elimination 2002 RM'000
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000	
<b>Business Segments</b>					
Revenue from external customers	64,168,799	69,980,376	3,012,070	3,370,687	-
Inter-segment revenue	-	-	2,474,116	2,475,973	(2,474,116)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	64,168,799	69,980,376	5,486,186	5,846,660	(2,474,116)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Operating profit	24,999,773	29,981,611	1,499,835	1,812,629	-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Financing costs					
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
F-125 Share of profit of associates	497,929	146,922	24,550	15,700	-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Profit before taxation					
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Segment assets	125,046,627	118,772,000	13,636,622	13,750,669	-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Investment in associates	5,124,022	6,181,209	320,272	336,151	-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	130,170,649	124,953,209	13,956,894	14,086,820	-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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	Malaysia		Africa		Rest of the World		Elim 2002 RM'000
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000	
<b>Geographical Segments</b>							
Revenue from external customers	46,817,763	50,368,336	12,128,351	11,321,798	8,234,755	11,660,929	-
Inter-segment revenue	-	-	827,667	27,708	2,768,009	3,702,802	(3,595,677)
Total revenue	46,817,763	50,368,336	12,956,018	11,349,506	11,002,764	15,363,731	(3,595,677)
Operating profit	23,782,517	28,854,662	1,959,019	1,522,746	758,072	1,416,832	-
Financing costs							
Share of profit/(loss) of associates	409,664	176,579	(10,034)	-	122,849	(13,957)	-
Profit before taxation							
Segment assets	110,130,582	104,172,954	10,672,349	8,536,916	17,880,318	19,812,799	-
Investment in associates	4,063,300	5,647,254	483,725	94,536	897,269	775,570	-
Total assets	114,193,882	109,820,208	11,156,074	8,631,452	18,777,587	20,588,369	-

### **33. PRODUCTION SHARING CONTRACTS (“the PSC”)**

The Petroleum Development Act, 1974 vests the entire ownership, rights, powers, liberties and privileges of exploiting petroleum resources on land and offshore Malaysia in PETRONAS. The exploitation by PETRONAS of petroleum resources is carried out by means of production sharing contracts with international oil and gas companies and with its subsidiaries. Under the terms of the various PSCs that PETRONAS has entered into, the PSC Contractors bear all costs. The PSC Contractors may recover their costs in barrels of crude oil or gas equivalent in accordance with the terms of their respective PSCs.

Certain terms of the PSCs are:

#### **33.1 Research Cess, Supplementary Payments and Crude Oil or Gas Entitlement**

The determination of research cess, supplementary payments, PETRONAS’ and the contractors’ entitlements to crude oil or gas produced subsequent to 31 December 1992 have been based on the returns submitted by contractors and is dependent on agreement being reached on the method of valuation of crude oil or gas and the quantum of costs incurred and claimed by contractors subject to the maximum rate provided under the production sharing contracts for the year. PETRONAS’ entitlements to crude oil and natural gas are taken up as income on the basis of liftings and sales respectively made by the Company.

#### **33.2 Property, plant and equipment**

Title to all equipment and other assets purchased or acquired by oil contractors exclusively for the purpose of petroleum operations, and which costs are recoverable in barrels of cost oil or gas equivalent, passes to PETRONAS. However, the value of these assets are not taken up in the financial statements of PETRONAS other than the assets of a subsidiary who is also a contractor to PETRONAS under certain PSCs.

#### **33.3 Inventories**

Title to all crude oil held in inventories by the oil contractors lies with PETRONAS and title to the contractors’ entitlement passes only upon delivery at point of export. However, the value of these inventories are not taken up in the financial statements of PETRONAS.

### 34. SUBSIDIARIES AND ACTIVITIES

	Effective Percentage Holding			Principal Activities
	2002	2001		
<i>Companies incorporated in Malaysia</i>				
Aromatics Malaysia Sdn. Bhd.	70.0	70.0		Production and sale of aromatics products.
Asean Bintulu Fertilizer Sdn. Bhd.	63.5	63.5		Production and sale of urea and ammonia.
Ethylene Malaysia Sdn. Bhd.	72.5	72.5		Production and sale of ethylene.
# Gas District Cooling (M) Sdn. Bhd.	95.8	95.8		Own and operate gas-fired district cooling plants.
# Gas District Cooling (KLIA) Sdn. Bhd.	72.5	72.5		Own and operate gas-fired district cooling plants.
# Gas District Cooling (Putrajaya) Sdn. Bhd.	95.8	95.8		Own and operate gas-fired district cooling plants.
# Institute of Technology PETRONAS Sdn. Bhd.	100.0	100.0		Institute of higher learning.
# Kertih Port Sdn. Bhd.	100.0	100.0		Own and operate a port.
Kuantan Terminals Sdn. Bhd.	100.0	100.0		Own and operate bulk chemical storage and handling facilities.
MTBE Malaysia Sdn. Bhd.	100.0	100.0		Production and sale of methyl tertiary butyl ether and propylene.
@# Malaysia International Shipping Corporation Berhad	62.4	62.1		Shipping and shipping related activities.
Malaysia LNG Sdn. Bhd.	65.0	65.0		Liquefaction and sale of liquefied natural gas.
Malaysia LNG Dua Sdn. Bhd.	60.0	60.0		Liquefaction and sale of liquefied natural gas.
Malaysia LNG Tiga Sdn. Bhd.	60.0	60.0		Intended to liquefy and sell liquefied natural gas.
Malaysian International Trading Corporation Sdn. Bhd.	100.0	100.0		General trading.
Malaysian International Trading Corporation (Japan) Sdn. Bhd.	100.0	100.0		General trading.

		Effective Percentage Holding		Principal Activities
		2002	2001	
<b><i>Companies incorporated in Malaysia (continued)</i></b>				
Malaysian Refining Company Sdn. Bhd.	53.0	45.0		Refining of crude oil.
OGP Technical Services Sdn. Bhd.	60.0	60.0		Provision of technical and project management services.
# Optimal Olefins (M) Sdn. Bhd.	64.3	64.3		Manufacturing and marketing of ethylene, propylene and other hydrocarbon products.
Perecom Industries Sdn. Bhd.	100.0	100.0		Investment holding company.
# PETRONAS Ammonia Sdn. Bhd.	100.0	100.0		Production and sale of ammonia.
# PETRONAS Assets Sdn. Bhd.	100.0	100.0		Owning and leasing of assets.
# PETRONAS Carigali Sdn. Berhad	100.0	100.0		Exploration and production of oil and gas.
# PETRONAS Fertilizer (Kedah) Sdn. Bhd.	100.0	100.0		Production and sale of urea and ammonia.
@ PETRONAS Dagangan Berhad	69.9	69.2		Marketing of petroleum products and operation of service stations.
@ PETRONAS Gas Berhad	60.6	60.3		Processing and transmission of natural gas.
PETRONAS Gas Supply (Labuan) Sdn. Bhd.	100.0	100.0		Operation of water supply, industrial waste and sewerage system treatment plants.
# PETRONAS Hartabina Sdn. Bhd.	100.0	100.0		Property holding.
* PETRONAS International Corporation Ltd. (incorporated in Labuan)	100.0	100.0		Investment holding company.
# PETRONAS Maritime Services Sdn. Bhd.	100.0	100.0		Provision of marine advisory services.
# PETRONAS Management Training Sdn. Bhd.	100.0	100.0		Provision of training services.
PETRONAS Methanol (Labuan) Sdn. Bhd.	100.0	100.0		Production and sale of methanol.

		Effective Percentage Holding		Principal Activities
		2002	2001	
<b><i>Companies incorporated in Malaysia (continued)</i></b>				
*	PETRONAS Myanmar Ltd. (incorporated in Labuan)	100.0	100.0	Investment holding company.
#	PETRONAS NGV Sdn. Bhd.	100.0	100.0	Promoting and developing the use of natural gas for vehicles.
	PETRONAS Penapisan (Melaka) Sdn. Bhd.	100.0	100.0	Refining of crude oil.
	PETRONAS Penapisan (Terengganu) Sdn. Bhd.	100.0	100.0	Refining of crude oil.
	PETRONAS Research & Scientific Services Sdn. Bhd.	100.0	100.0	Provision of research and technology development services.
	PETRONAS Trading Corporation Sdn. Bhd.	100.0	100.0	Trading of crude oil and petroleum products.
	PETRONAS Technical Services Sdn. Bhd.	100.0	100.0	Intended to provide technical services.
	Petrosains Sdn. Bhd.	100.0	100.0	Management of a petroleum discovery centre.
	Polypropylene Malaysia Sdn. Bhd.	100.0	100.0	Production and marketing of polypropylene.
	Sanzbury Stead Sdn. Bhd.	100.0	100.0	Property holding.
#	Styrene Monomer (Malaysia) Sdn. Bhd.	100.0	100.0	Manufacturing and market of styrene monomer and property holding.
#	Sungai Udang Port Sdn. Bhd.	100.0	100.0	Port management.
#	Vinyl Chloride (Malaysia) Sdn. Bhd.	60.0	60.0	Production and sale of vinyl chloride.

		Effective Percentage		Country of Incorporation	Principal Activities
		2002	2001		
<i><b>Companies incorporated overseas</b></i>					
* East Australia Pipeline Marketing Pty. Ltd.		100.0	100.0	Australia	Provision of marketing services.
* Japan Malaysia LNG Co. Ltd.		70.0	70.0	Japan	Provision of services in relation to the importation of liquefied natural gas into Japan.
** Myanmar PETRONAS Trading Co. Ltd.	100.0	100.0	Myanmar		Trading company.
** PETRONAS Argentina S.A.	100.0	100.0	Argentina		Investment holding company.
** PETRONAS Australia Pty. Ltd.	100.0	100.0	Australia		Investment holding company.
** PETRONAS Cambodia Co. Ltd.	100.0	100.0	Cambodia		Trading of petroleum products.
** PETRONAS Cambodia Tankage Services Co. Ltd.	100.0	100.0	Cambodia		Own and operate LPG bottling plant, bulk oil terminal and depot for storage and distribution of petroleum products.
## PETRONAS Marketing (Thailand) Co. Ltd. (formerly known as PETRONAS Unique Petroleum Co. Ltd.)	100.0	49.0	Thailand		Develop and operate service stations.
# PETRONAS Energy Philippines, Inc. Ltd.	60.0	60.0	Philippines		Marketing of petroleum products.
** PETRONAS China Co. Ltd.	100.0	100.0	Hong Kong		Investment holding company.
## PETRONAS (Thailand) Co. Ltd.	100.0	100.0	Thailand		Investment holding company.
** PETRONAS India (Holdings) Co. Pte. Ltd.	100.0	100.0	India		Intended to be investment holding company.
## PETRONAS Philippines Inc.	100.0	100.0	Philippines		Investment holding company.
# PETRONAS South Africa (Pty.) Ltd.	100.0	100.0	South Africa		Investment holding company.

	Effective Percentage Holding		Principal Activities	
	2002	2001		
<i>Subsidiaries of PETRONAS Dagangan Berhad</i>				
<i>Companies incorporated in Malaysia</i>				
Kuala Lumpur Aviation Fuelling System Sdn. Bhd.	45.4	45.0	Provision of aviation fuelling services.	
West Port Bunkering Services Sdn. Bhd.	-	48.4	Marketing of bunker fuel and operation of bunkering facilities at West Port, Port Klang.	
<i>Subsidiaries of PETRONAS Carigali Sdn. Berhad</i>				
<i>Companies incorporated in Malaysia</i>				
# PETRONAS Carigali (Dai Hung) Sdn. Bhd.	100.0	100.0	Dormant.	
# PETRONAS Carigali (JDA) Sdn. Bhd.	100.0	100.0	Exploration and production of oil and gas.	
# PETRONAS Carigali (Overseas) Sdn. Bhd.	100.0	100.0	Exploration and production of oil and gas.	
# PETRONAS Carigali International Sdn. Bhd.	100.0	100.0	Dormant.	
# PETRONAS Carigali (Sudan) Sdn. Bhd.	100.0	100.0	Dormant	
# PETRONAS Carigali (Turkmenistan) Sdn. Bhd.	100.0	100.0	Exploration and production of oil and gas.	
# PETRONAS Carigali (Vietnam) Sdn. Bhd.	100.0	100.0	Exploration and production of oil and gas.	

		Effective Percentage		Country of Incorporation	Principal Activities			
		2002	2001					
<b><i>Subsidiaries of PETRONAS</i></b>								
<b><i>Carigali Sdn. Berhad</i></b>								
<b><i>(continued)</i></b>								
<b><i>Companies incorporated overseas</i></b>								
* Doba Pipeline Investment Inc.	100.0	100.0	Cayman Island	Investment in refinery projects.				
* Parsi International Ltd.	100.0	100.0	Republic of Mauritius	Exploration and production of oil and gas.				
* PETRONAS Carigali Chad Exploration & Production Inc.	100.0	100.0	Cayman Island	Investment holding company.				
* PETRONAS Carigali (Ketapang) Ltd.	100.0	100.0	Republic of Mauritius	Exploration and production of oil and gas.				
* PETRONAS Carigali (Pakistan) Ltd.	100.0	100.0	Republic of Mauritius	Exploration and production of oil and gas.				
* PETRONAS Carigali (Pasemah) Ltd.	100.0	100.0	Republic of Mauritius	Exploration and production of oil and gas.				
* PETRONAS Carigali (Chad EP) Inc.	100.0	100.0	Cayman Island	Exploration and production of oil and gas.				
* PETRONAS Carigali Myanmar II Inc.	100.0	100.0	Republic of Liberia	Dormant.				
# PETRONAS Carigali Overseas (UK) Ltd.	100.0	100.0	United Kingdom	Provision of project management services.				
* PETRONAS Carigali White Nile (5B) Ltd.	100.0	-	Republic of Mauritius	Exploration and production of oil and gas.				
* PETRONAS Chad Marketing Inc.	100.0	100.0	Cayman Island	Dormant.				
* White Nile (5B) Petroleum Operating Company Ltd.	100.0	-	Republic of Mauritius	Operating company.				
* PETRONAS Carigali (Tanjung Aru) Ltd.	100.0	-	Republic of Mauritius	Exploration and production of oil and gas.				
* PETRONAS Carigali Bahrain Ltd.	100.0	-	Republic of Mauritius	Exploration and production of oil and gas.				
* PETRONAS Carigali Niger Exploration & Production Ltd.	100.0	-	Republic of Mauritius	Exploration and production of oil and gas.				
* PETRONAS Carigali Vietnam (B10 & 11-1) Ltd.	100.0	-	Republic of Mauritius	Exploration and production of oil and gas.				
* PETRONAS Carigali Mozambique E & P Ltd.	100.0	-	Republic of Mauritius	Exploration and production of oil and gas.				
* Seerat Refinery Investment Inc.	100.0	100.0	Cayman Island	Dormant.				

		Effective Percentage Holding 2002	Effective Percentage Holding 2001	Country of Incorporation 2001	Principal Activities
<b><i>Subsidiaries of PETRONAS International Corporation Ltd.</i></b>					
<b><i>Companies incorporated overseas</i></b>					
#	Engen Limited	80.0	80.0	South Africa	Refining of crude oil and marketing of refined petroleum products.
*	PETRONAS Carigali Myanmar Inc.	100.0	100.0	Republic of Liberia	Exploration and production of oil and gas.
*	PETRONAS Carigali Myanmar III Inc.	100.0	100.0	Cayman Island	Investment holding company.
*	PETRONAS Carigali Nile Ltd.	100.0	100.0	Republic of Mauritius	Exploration and production of oil and gas.
*	Sirri International Ltd.	100.0	100.0	Republic of Mauritius	Exploration and production of oil and gas.
<b><i>Subsidiaries of Engen Limited</i></b>					
<b><i>Companies incorporated overseas</i></b>					
#	Azania Petroleum (Pty.) Ltd.	80.0	80.0	South Africa	Property holding.
#	Aktol Chemicals (Pty.) Ltd.	80.0	80.0	South Africa	Dormant.
#	Baytrust Oil Explorations Limited	45.4	46.0	United Kingdom	Exploration and production of oil and gas.
#	Bitugon (Pty.) Ltd.	80.0	80.0	South Africa	Dormant.
#	BGI Property Ltd.	56.0	56.0	Botswana	Property holding.
#	BGI Mahalapye (Pty.) Ltd.	56.0	56.0	Botswana	Property holding.
*	Bitumen Holdings Ltd.	80.0	80.0	Isle of Man	Dormant.
#	Cavallo Engineering & Construction (Pty.) Ltd.	56.0	56.0	Botswana	Dormant.
*	Ceal Ltd.	80.0	80.0	Isle of Man	Dormant.
#	Chemico (Pty.) Ltd.	80.0	80.0	South Africa	Market and distribute refined petroleum products.
#	Condor (Pty.) Ltd.	80.0	80.0	South Africa	Dormant.
*	Cote Ltd.	80.0	80.0	Isle of Man	Investment holding company.

			Effective Percentage			Principal Activities
		Holding 2002	Holding 2001	Country of Incorporation		
<i>Subsidiaries of Engen Limited</i>						
<i>Companies incorporated overseas (continued)</i>						
#	Eagle Energy (Angola) Ltd.	45.4	46.0	Isle of Man	Exploration and production of oil and gas.	
Ø#	Energy Africa Ltd.	45.4	46.0	South Africa	Exploration and production of oil and gas.	
#	Energy Africa Bredasdorp (Pty.) Ltd.	45.4	46.0	South Africa	Exploration and production of oil and gas.	
#	Energy Africa Cote D'Ivoire Ltd.	45.4	46.0	Isle of Man	Exploration and production of oil and gas.	
#	Energy Africa Egypt Ltd.	45.4	46.0	Isle of Man	Exploration and production of oil and gas.	
#	Energy Africa Equatorial Guinea Ltd.	45.4	46.0	Isle of Man	Exploration and production of oil and gas.	
#	Energy Africa Haute Mer Ltd.	45.4	46.0	Isle of Man	Exploration and production of oil and gas.	
#	Energy Africa Haute Mer Holdings Ltd.	45.4	46.0	Isle of Man	Investment holding company.	
*	Energy Africa Holdings Ltd.	45.4	46.0	British Virgin Islands	Investment holding company.	
#	Energy Africa Kudu Ltd.	45.4	46.0	Isle of Man	Exploration and production of oil and gas.	
#	Energy Africa Libya Ltd.	45.4	46.0	Isle of Man	Exploration and production of oil and gas.	
#	Energy Africa Mauritania Ltd.	45.4	-	Isle of Man	Exploration and production of oil and gas.	
#	Energy Africa Morocco Limited.	45.4	46.0	Isle of Man	Exploration and production of oil and gas.	
#	Energy Africa Mozambique Ltd.	45.4	46.0	Isle of Man	Exploration and production of oil and gas.	
#	Energy Africa Namibia Ltd.	45.4	46.0	Isle of Man	Exploration and production of oil and gas.	
#	Energy Africa Uganda Ltd.	45.4	-	Isle of Man	Exploration and production of oil and gas.	
#	Energy Africa UK Limited	45.4	46.0	United Kingdom	Corporate services.	

		Effective Percentage			Principal Activities
		2002	2001	Country of Incorporation	
<i>Subsidiaries of Engen Limited</i>					
<i>Companies incorporated overseas (continued)</i>					
#	Energy Africa Tanzania Limited	45.4	46.0	Isle of Man	Exploration and production of oil and gas.
#	Engen Botswana Limited	56.0	56.0	Botswana	Investment holding company.
#	Engen Chemical Holdings (Pty.) Ltd.	80.0	80.0	South Africa	Investment holding company.
#	Engen Energy Ltd.	80.0	80.0	South Africa	Dormant.
#	Engen Ghana Ltd.	72.0	80.0	Ghana	Marketing and distribution of petroleum products.
#	Engen Group Funding Trust	80.0	-	South Africa	Group financing.
#	Engen Holdings (Ghana) Ltd.	80.0	80.0	Mauritius	Investment holding company.
#	Engen Holdings (Pty.) Ltd.	80.0	80.0	South Africa	Investment holding company.
#	Engen Holdings Zimbabwe (Pvt.) Ltd.	80.0	80.0	Zimbabwe	Investment holding company.
*	Engen International Holdings (Mauritius) Ltd.	80.0	80.0	Mauritius	Investment holding company.
#	Engen International Marketing Ltd.	80.0	80.0	Isle of Man	Investment holding company.
#	Engen Kenya Ltd.	80.0	80.0	Kenya	Marketing and distribution of petroleum products.
#	Engen Lesotho (Pty.) Ltd.	80.0	80.0	Lesotho	Marketing and distribution of petroleum products.
#	Engen Management Services (Pty.) Ltd.	80.0	80.0	South Africa	Investment holding company.
#	Engen Management Services (Nigeria) Ltd. (formerly known as Engen Producing Nigeria Ltd.)	80.0	80.0	Nigeria	Investment holding company.
#	Engen Marketing Botswana (Pty.) Ltd.	56.0	56.0	Botswana	Marketing of petroleum products.
#	Engen Marketing Ltd.	80.0	80.0	South Africa	Investment holding company.
#	Engen Marketing Zimbabwe Ltd.	64.0	80.0	Zimbabwe	Marketing and distribution of petroleum products.

		Effective Percentage			
		Holding 2002	Country of 2001 Incorporation		Principal Activities
<i>Subsidiaries of Engen Limited</i>					
<i>Companies incorporated overseas (continued)</i>					
#	Engen Marketing Zambia Limited.	80.0	80.0	Zambia	Marketing and distribution of petroleum products.
#	Engen Namibia (Pty.) Ltd.	80.0	80.0	Namibia	Marketing and distribution of petroleum products.
#	Engen Nigeria Ltd.	80.0	80.0	Nigeria	Dormant.
#	Engen Offshore Holdings (Mauritius) Limited	80.0	80.0	Mauritius	Investment holding company.
*	Engen Petroleum (Burundi) Ltd.	80.0	80.0	British Virgin Islands	Investment holding company.
#	Engen Petroleum (DRC) Ltd.	80.0	80.0	United Kingdom	Investment holding company.
*	Engen Petroleum DRC (IOM) Ltd.	80.0	80.0	Isle of Man	Procurement, sale and delivery of hydrocarbons.
#	Engen Petroleum (Mocambique) Limitada	80.0	80.0	Mozambique	Importation, marketing and distribution of petroleum products.
*	Engen Petroleum (Rwanda) Ltd.	-	80.0	British Virgin Islands	Investment holding company.
*	Engen Petroleum (Rwanda) Ltd.	-	80.0	Rwanda	Selling of petroleum products.
#	Engen Petroleum (UK) Ltd.	80.0	80.0	United Kingdom	Representative office.
#	Engen Petroleum International Ltd.	80.0	80.0	Isle of Man	Dormant.
*	Engen Petroleum Kenya Ltd.	80.0	80.0	British Virgin Islands	Dormant.
#	Engen Petroleum Ltd.	80.0	80.0	South Africa	Refining, marketing and distribution of petroleum products.
*	Engen Petroleum Tanzania Ltd.	80.0	80.0	British Virgin Islands	Dormant.
#	Engen Petroleum Tanzania Ltd.	80.0	80.0	Tanzania	Marketing and distribution of petroleum products.

		Effective Percentage Holding 2002	Country of 2001 Incorporation	Principal Activities
<i>Subsidiaries of Engen Limited</i>				
<i>Companies incorporated overseas (continued)</i>				
#	Engen Petroleum Zimbabwe (Pvt.) Ltd.	80.0	80.0	Zimbabwe
#	Engen Swaziland (Pty.) Ltd.	80.0	80.0	Swaziland
#	Engen Uganda Ltd (Uganda)	80.0	-	Uganda
#	Engen Zimbabwe (Pvt.) Ltd. (Nominees)	80.0	80.0	Zimbabwe
#	Gas Africa (Pty.) Ltd.	80.0	80.0	South Africa
#	Gedney Properties (Pty.) Ltd.	56.0	56.0	Botswana
#	Ivory Properties (Pty.) Ltd.	56.0	56.0	Botswana
#	Midwest Properties 207 (Pty.) Ltd.	80.0	80.0	South Africa
#	Midwest Properties 208 (Pty.) Ltd.	80.0	80.0	South Africa
#	Namibia Petroleum (Pty.) Ltd.	80.0	80.0	Namibia
#	Oil Tanking EPZ (Pty.) Ltd.	80.0	80.0	Kenya
#	Pakenzyl (Pty.) Ltd.	80.0	80.0	South Africa
#	Petroleum Dubai Ltd. (formerly known as Engen Petroleum Dubai Ltd.)	80.0	80.0	Isle of Man
*	Petroleum Investment Holding Ltd.	80.0	80.0	Mauritius
#	Petroleum Operating Company Ltd.	80.0	80.0	South Africa
#	Petroleum Transport International (Pty.) Ltd.	80.0	80.0	South Africa
#	Renaissance Petroleum (Pty.) Ltd.	80.0	-	South Africa
#	Rockyhill Properties (Pty.) Ltd.	56.0	56.0	Botswana

		Effective Percentage				Principal Activities
		Holding 2002	Holding 2001	Country of Incorporation		
<i>Subsidiaries of Engen Limited</i>						
<i>Companies incorporated overseas (continued)</i>						
#	Salag Property Investments (Pty.) Ltd.	80.0	80.0	South Africa	Property holding.	
#	Sonap Petroleum (South Africa) (Pty.) Ltd.	80.0	80.0	South Africa	Dormant.	
*	SEP Burundi	52.4	52.4	Burundi	Storage facilities.	
#	Tabro Investments (Pty.) Ltd.	80.0	80.0	South Africa	Property holding.	
#	Thibault Finance Company (Pty.) Ltd.	80.0	80.0	South Africa	Dormant.	
#	Trek Petroleum (Pty.) Ltd.	80.0	80.0	South Africa	Investment holding company.	
#	Unilon Oil Explorations Ltd.	45.4	46.0	United Kingdom	Exploration and production of oil and gas.	
#	Unitrust Holdings Limited	45.4	46.0	United Kingdom	Investment holding company.	
#	Waldeck Investments (Pty.) Ltd.	80.0	80.0	South Africa	Investment holding company.	
#	Wimmeria Investments (Pty.) Ltd.	80.0	40.8	South Africa	Investment holding company.	
#	Ximex Energy Holdings (Pvt.) Ltd.	64.0	64.0	Zimbabwe	Investment holding company.	
#	Zenex Oil (Pty.) Ltd.	80.0	80.0	South Africa	Procurement and market petroleum products.	

		Effective Percentage Holding		Principal Activities		
		2002	2001			
<i>Subsidiaries of Malaysia International Shipping Corporation Berhad</i>						
<i>Companies incorporated in Malaysia</i>						
#	Asia LNG Transport Sdn. Bhd.	31.8	31.7	Shipping.		
#	Asia LNG Transport Dua Sdn. Bhd.	31.8	31.7	Shipping.		
#	Magat Empat Sdn. Bhd.	62.4	62.1	Liquidated.		
#	Magat Lima Sdn. Bhd.	62.4	62.1	Liquidated.		
#	MISC Agencies Sdn. Bhd.	62.4	62.1	Shipping agent and warehousing.		
#	MISC Agencies (Trengganu) Sdn. Bhd.	62.4	62.1	Shipping agent.		
#	MISC Agencies (Sarawak) Sdn. Bhd.	40.6	40.4	Shipping agent.		
#	MISC Enterprises Holdings Sdn. Bhd.	62.4	62.1	Investment holding company.		
#	MISC Integrated Logistics Sdn. Bhd.	62.4	62.1	Integrated logistics services.		
#	MISC Ferry Services Sdn. Bhd.	62.4	62.1	Dormant.		
#	MISC Haulage Services Sendirian Berhad	46.8	46.6	Container haulage.		
#	MISC Information Technology Sdn. Bhd.	62.4	62.1	Dormant.		
#	MISC Properties Sdn. Bhd.	62.4	62.1	Dormant.		
#	MISC Ship Management Sdn. Bhd.	62.4	62.1	Ship management.		
#	MISC Trucking and Warehousing Services Sdn. Bhd.	62.4	62.1	Trucking, warehousing and forwarding services.		
#	Peninsular Shipbrokers Sdn. Bhd.	62.4	62.1	Dormant.		
#	PETRONAS Tankers Sendirian Berhad	62.4	62.1	Investment holding and provision of management services to the owners and operators of LNG vessels.		
#	Puteri Delima Sdn. Bhd.	62.4	62.1	Own and operate LNG vessel.		
#	Puteri Firus Sdn. Bhd.	62.4	62.1	Own and operate LNG vessel.		
#	Puteri Intan Sdn. Bhd.	62.4	62.1	Own and operate LNG vessel.		
#	Puteri Nilam Sdn. Bhd.	62.4	62.1	Own and operate LNG vessel.		
#	Puteri Zamrud Sdn. Bhd.	62.4	62.1	Own and operate LNG vessel.		

		Effective Percentage			Principal Activities
		2002	2001	Country of Incorporation	
<i><b>Subsidiaries of Malaysia International Shipping Corporation Berhad</b></i>					
<i><b>Companies incorporated overseas</b></i>					
#	Bison Shipping Limited	62.4	62.1	Republic of Liberia	Shipping.
#	Dinosaur Shipping Limited	62.4	62.1	Republic of Liberia	Shipping.
#	EBC Limited	62.4	62.1	British Virgin Islands	Investment holding company.
#	EBC Assets Limited (Bermuda)	62.4	62.1	Bermuda	Investment holding company.
#	EBC Assets Limited (Liberia)	62.4	62.1	Republic of Liberia	Investment holding company.
#	EBC Holdings Limited	62.4	62.1	Republic of Liberia	Investment holding company.
#	EBC Shipping Limited	62.4	62.1	Bermuda	Ship management.
#	EBC Shipping Limited	62.4	62.1	Republic of Liberia	Ship management.
#	Esperance Shipping Limited	62.4	62.1	Republic of Liberia	Shipping.
#	Fantasy Shipping Limited	62.4	62.1	Republic of Liberia	Shipping.
#	Fragrant Shipping Limited	62.4	62.1	Republic of Liberia	Dormant.
#	Gangga Negara Shipping Limited	62.4	62.1	Republic of Liberia	Shipping.
#	Grand Way Investments Limited	62.4	62.1	Republic of Liberia	Dormant.
#	Growth Shipping Limited	62.4	62.1	Republic of Liberia	Shipping.
#	Gunner Shipping Limited	62.4	62.1	Republic of Liberia	Shipping.
#	Happy Venture Limited	62.4	62.1	Republic of Liberia	Investment holding company.
#	Humanity Shipping Limited	62.4	62.1	Republic of Liberia	Dormant.
#	Kapalintel Incorporated	62.4	62.1	Republic of Panama	Liquidated.

		Effective Percentage	Holding 2002	Holding 2001	Country of Incorporation	Principal Activities
<b><i>Subsidiaries of Malaysia International Shipping Corporation Berhad</i></b>						
<b><i>Companies incorporated overseas (continued)</i></b>						
# Leo Launches Private Limited	31.8	31.7	Singapore		Launch operator.	
# Leo Shipping Private Limited	62.4	62.1	Singapore		Shipping agent	
# Logger Shipping Limited	62.4	62.1	Republic of Liberia		Shipping.	
# Luminous Shipping Limited	62.4	62.1	Republic of Liberia		Shipping.	
# Malaysia International Shipping Corporation Agencies (U.K.) Ltd.	62.4	62.1	United Kingdom		Shipping agent.	
# MISA (B) Sdn. Bhd.	62.4	62.1	Brunei Darussalam		Shipping agent.	
# MISA (Japan) Ltd.	62.4	62.1	Japan		Port and general agent.	
# MISC Agencies (Australia) Pty. Ltd.	62.4	62.1	Australia		Shipping agent.	
# MISC Agencies (Netherlands) B.V.	62.4	62.1	Netherlands		Shipping agent.	
# MISC Far East Tonnage Centre Pte. Ltd.	62.4	62.1	Singapore		Liquidated.	
# Marquisa Shipping Limited	62.4	62.1	Republic of Liberia		Shipping.	
# Mun Kim Limited	62.4	62.1	Republic of Liberia		Investment holding company.	
# Pacific Mattsu Shipping Limited	62.4	62.1	Republic of Liberia		Shipping.	
# Pacific Trident Limited	62.4	62.1	Hong Kong		Dormant.	
# Peddler Shipping Limited	62.4	62.1	Republic of Liberia		Shipping.	
# Plate Shipping Limited	62.4	62.1	Republic of Liberia		Shipping.	
# Rhinestone Shipping Limited	62.4	62.1	Republic of Liberia		Shipping.	
# Roseland Shipping Limited	60.5	60.2	Republic of Liberia		Shipping.	
# Safety Shipping Limited	62.4	62.1	Republic of Liberia		Shipping.	

		Effective Percentage			Principal Activities
		Holding 2002	Country of 2001 Incorporation		
<b><i>Subsidiaries of Malaysia International Shipping Corporation Berhad</i></b>					
<b><i>Companies incorporated overseas (continued)</i></b>					
# Scheepvaartagentuur Nederland Oversee B.V.					
# Sea Maestro Shipping Limited	62.4	62.1	Republic of Liberia	Dormant.	
# Sea Maiden Shipping Limited	62.4	62.1	Republic of Liberia	Dormant.	
# Selesa Shipping Limited	62.4	62.1	Republic of Liberia	Shipping.	
# Skystrong Shipping Limited	62.4	62.1	Republic of Liberia	Shipping.	
# Spectrum Shipping Limited	62.4	62.1	Republic of Liberia	Shipping.	
# Sun Shipping Limited	62.4	62.1	Republic of Liberia	Shipping.	
# Thunder Bay Investment Corporation	62.4	62.1	Republic of Liberia	Shipping.	
# Trailblazer Shipping Limited	62.4	62.1	Republic of Liberia	Shipping.	
# Torrent Shipping Limited	62.4	62.1	Republic of Liberia	Dormant.	
# Audited by other firm of accountants.					
## Consolidated based on management financial statements.					
* Not required to be audited in country of incorporation.					
** Audited by overseas office of KPMG.					
@ The shares of this subsidiary are quoted on the Main Board of The Kuala Lumpur Stock Exchange.					
ø The shares of this subsidiary are quoted on the Johannesburg Stock Exchange.					
β The shares of this subsidiary are quoted on the Botswana Stock Exchange.					

### 35. SIGNIFICANT ASSOCIATES AND ACTIVITIES

	Effective Percentage Holding		Principal Activities
	2002	2001	
<b><i>Companies incorporated in Malaysia</i></b>			
Affin Merchant Bank Bhd.	23.1	23.0	Merchant banking.
BASF PETRONAS Chemicals Sdn. Bhd.	40.0	40.0	Own and operate acrylic acid and oxo plants.
Bintulu Port Holdings Berhad and its subsidiary	22.8	-	Investment holding company.
BP PETRONAS Acetlys Sdn. Bhd.	30.0	30.0	Manufacture, sell and distribute acetic acid.
Gas Malaysia Sdn. Bhd.	20.0	20.0	Selling, marketing, distribution and promotion of natural gas.
Idemitsu SM (Malaysia) Sdn. Bhd.	30.0	30.0	Production and marketing of ethylbenzene and styrene monomer.
Kertih Terminals Sdn. Bhd.	40.0	40.0	Own and operate bulk chemical storage and handling facilities.
KLCC (Holdings) Berhad and its subsidiaries	49.5	49.5	Property investment and property development.
MSE Holdings Sdn. Bhd. and its subsidiaries	26.8	26.7	Investment holding company.
Midciti Resources Sdn. Bhd.	49.5	49.5	Property holding.
Optimal Chemicals (M) Sdn. Bhd.	50.0	50.0	Manufacture and sell ethylene and propylene derivative products.
Optimal Glycols (M) Sdn. Bhd.	50.0	50.0	Manufacture and sell ethylene oxide, ethylene glycol and other glycols.
Perusahaan Otomobil Nasional Berhad and its subsidiaries	-	27.2	Manufacturing, assembling and selling of motor vehicles and related products.
PETLIN (M) Sdn. Bhd.	40.0	40.0	Manufacturing and marketing of low-density polyethylene pellets.
Petrofibre Network (M) Sdn. Bhd. (formerly known as Celcom Petro Network (M) Sdn. Bhd.)	40.0	40.0	Provision of fibre optic transmission network services.
Polyethylene (Malaysia) Sdn. Bhd.	40.0	40.0	Production and marketing of polyethylene.
Putrajaya Holdings Sdn. Bhd. and its subsidiaries	40.0	40.0	Property owner and developer.

<i><b>Companies incorporated overseas</b></i>	<b>Effective Percentage</b>	<b>Country of Incorporation</b>	<b>Principal Activities</b>
	<b>2002</b>		
Cameroon Oil Transportation Company SA	26.9	14.5	Republic of Cameroon Pipeline projects.
Duta Inc.	40.0	40.0	Philippines Property holding.
Greater Nile Petroleum Operating Company	30.0	30.0	Republic of Mauritius Exploration and production of oil and gas.
Indianoil Petronas Private Limited	50.0	50.0	India Intended to distribute and market LPG in the eastern part of India.
Phu My Plastics & Chemicals Co. Ltd.	50.0	40.0	Vietnam Intended to produce and sell suspension PVC resins.
Premier Oil Plc.	25.0	25.0	Scotland Exploration and production of oil and gas.
Sauber PETRONAS Engineering AG	40.0	40.0	Switzerland Technical research and development activities for automotive engineering.
Taninthayi Pipeline Co. LLC	30.0	30.0	Cayman Island Construction and development of pipeline and transportation of gas.
Tchad Oil Transportation Company SA	27.5	23.4	Republic of Chad Pipeline projects.

### **36. SUBSEQUENT EVENT**

On 15 May 2002, a wholly owned subsidiary issued €750,000,000 (RM2,482,275,000) principal amount of 6.375% Guaranteed Notes due 2009 (the “EUR 2009 Notes”), US\$1,300,000,000 (RM4,939,350,000) principal amount of 7.000% Guaranteed Notes due 2012 (the “USD 2012 Notes”) and US\$750,000,000 (RM2,849,625,000) principal amount of 7.875% Guaranteed Notes due 2022 (“the USD 2022 Notes” and together with the USD 2012 Notes and the EUR 2009 Notes, the “Offered Securities”). The Company unconditionally and irrevocably guarantees the Offered Securities.

### 37. COMPARATIVE FIGURES

The following comparatives have been restated to reflect the current year classification:

	<b>Group</b>	<b>As previously stated</b>
	<b>As restated</b>	<b>RM'000</b>
Income statement		
Cost of revenue		
- Cost of sales	(31,576,525)	(31,021,576)
- Cost of services	(3,049,447)	(3,604,396)
	=====	=====

## ANNEX A

### Form of Letter to be Delivered by Accredited Investors

PETRONAS Capital Limited  
Unit Level 13(E)  
Main Office Tower  
Financial Park Labuan  
Jalan Merdeka  
87000 Labuan Federal Territory  
Malaysia

Petroliam Nasional Berhad  
Tower 1, PETRONAS Twin Towers  
Kuala Lumpur City Centre  
50088 Kuala Lumpur  
Malaysia

Morgan Stanley & Co. Incorporated  
Salomon Smith Barney Inc.  
Barclays Bank PLC  
The Hongkong and Shanghai Banking Corporation Limited  
and each of their affiliates, as managers in connection with the offering referred to below

c/o Morgan Stanley & Co. International Limited  
25 Cabot Square  
Canary Wharf  
London  
E14 4QA  
United Kingdom

Dear Sirs:

In connection with an offering of €750,000,000 principal amount of 6.375% Guaranteed Notes Due 2009 (the “EUR 2009 Notes”), US\$1,300,000,000 principal amount of 7.000% Guaranteed Notes Due 2012 (the “USD 2012 Notes”), and US\$750,000,000 principal amount of 7.875% Guaranteed Notes Due 2022 (the “USD 2022 Notes” and, together with the EUR 2009 Notes and the USD 2012 Notes, the “Offered Securities”) of PETRONAS Capital Limited, a company incorporated in Labuan, Malaysia under the Offshore Companies Act 1990 (the “Issuer”), in each case unconditionally and irrevocably guaranteed as to payment of principal and interest by Petroliam Nasional Berhad, a company incorporated in Malaysia under the Malaysian Companies Act 1965 (the “Company”), all as described in the Offering Circular (the “Offering Circular”) relating to the offering, we hereby confirm that:

(i) we are an “accredited investor” within the meaning of Rule 501(a)(1), (2) or (3) under the United States Securities Act of 1933, as amended (the “Securities Act”), or an entity in which all of the equity owners are accredited investors within the meaning of Rule 501(a)(1), (2) or (3) under the Securities Act (an “Institutional Accredited Investor”),

(ii) (A) any purchase of the Offered Securities by us will be for our own account or for the account of one or more other Institutional Accredited Investors or as fiduciary for the account of one or more trusts, each of which is an “accredited investor” within the meaning of Rule 501(a)(7) under the Securities Act and for each of which we exercise sole investment discretion or (B) we are a “bank,” within the meaning of Section 3(a)(2) of the Securities Act, or a “savings and loan association” or other

institution described in Section 3(a)(5)(A) of the Securities Act that is acquiring the Offered Securities as fiduciary for the account of one or more institutions for which we exercise sole investment discretion,

(iii) in the event that we purchase any of the Offered Securities, we will acquire Offered Securities having a minimum purchase price of not less than €250,000 (in respect of the EUR 2009 Notes) or US\$250,000 (in respect of the USD 2012 Notes or the USD 2022 Notes) for our own account or for any separate account for which we are acting,

(iv) we have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of purchasing the Offered Securities,

(v) we are not acquiring the Offered Securities with a view to distribution thereof or with any present intention of offering or selling any of the Offered Securities, except inside the United States in accordance with Rule 144A under the Securities Act or outside the United States in accordance with Regulation S under the Securities Act, as provided below; provided that the disposition of our property and the property of any accounts for which we are acting as fiduciary shall remain at all times within our control, and

(vi) we have received a copy of the Offering Circular relating to the offering of the Offered Securities and acknowledge that we have had access to such financial and other information, and have been afforded the opportunity to ask such questions of representatives of the Issuer and the Company and receive answers thereto, as we deem necessary in connection with our decision to purchase the Offered Securities.

We understand that the Offered Securities are being offered in a transaction not involving any public offering within the United States within the meaning of the Securities Act and that the Offered Securities have not been and will not be registered under the Securities Act, and we agree, on our own behalf and on behalf of each account for which we acquire any Offered Securities, that if in the future we decide to resell, pledge or otherwise transfer such Offered Securities, such Offered Securities may be offered, resold, pledged or otherwise transferred only (i) in the United States to a person whom we reasonably believe is a “qualified institutional buyer” (as defined in Rule 144A under the Securities Act) in a transaction meeting the requirements of Rule 144A, (ii) outside the United States in a transaction in accordance with Rule 904 under the Securities Act, (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (iv) pursuant to an effective registration statement under the Securities Act, in each of cases (i) through (iv), in accordance with any applicable securities laws of any State of the United States or any other applicable jurisdiction. We understand that the registrar and transfer agent for the Offered Securities will not be required to accept for registration of transfer any Offered Securities acquired by us, except upon presentation of evidence satisfactory to the Issuer, the Company and the transfer agent that the foregoing restrictions on transfer have been complied with. We further understand that any Offered Securities acquired by us will be in the form of definitive physical certificates and that such certificates will bear a legend reflecting the substance of this paragraph.

We acknowledge that you, the Issuer, the Company and others will rely upon our confirmations, acknowledgments and agreements set forth herein, and we agree to notify you promptly in writing if any of our representations or warranties herein ceases to be accurate and complete.

THIS LETTER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

Date: \_\_\_\_\_

(Name of Purchaser)

By: \_\_\_\_\_

Name:

Title:

Address:

## ANNEX B — MALAYSIA

The following information regarding Malaysia is included for information only and has been obtained from public official sources of the Government of Malaysia.

### General

Malaysia is located in Southeast Asia, just north of the equator, and consists of two major land masses: Peninsular Malaysia and the states of Sabah and Sarawak, which are located on the island of Borneo. Peninsular Malaysia is separated from the states of Sabah and Sarawak by the South China Sea. The total land area of Malaysia is approximately 330,000 square kilometers.

Malaysia has a population of approximately 23.8 million. Kuala Lumpur, the capital and largest city, has an estimated population of 1.4 million. As of 2001, approximately 62.6% of the population of Malaysia was Malay and other indigenous peoples (together referred to as Bumiputera), approximately 24% was Chinese, approximately 8.1% was Indian and other races, and approximately 5.3% was non-citizens. Malaysia's population growth rate averaged 2.5% per year from 1991 to 2000.

The official language of Malaysia is Bahasa Malaysia, but English is widely spoken.

On March 4, 2002, Standard & Poor's revised its outlook on Malaysia's long-term foreign currency rating to "positive" from "stable," and reaffirmed its long- and short-term ratings on Malaysia, including the BBB long-term foreign currency ratings. Standard & Poor's stated that the positive outlook reflects the expectation that Malaysia's fiscal position will improve as the global economy recovers and acknowledges that the commitment of the Government of Malaysia to push through difficult corporate restructurings is a positive factor for Malaysia's economy.

On October 17, 2000, Moody's Investors Service, Inc. upgraded Malaysia's long-term foreign currency rating to Baa2 from Baa3. Moody's stated that Malaysia's strong external performance as evidenced by its lower level of short-term external debt, relatively high level of international reserves and large current account surplus supported the upgrade. On April 2, 2002, Moody's raised its outlook on Malaysia to "positive" from "stable," citing the country's continued strong balance of payments and external financial position, which were maintained despite the difficult external environment faced by Malaysia over the prior year.

On April 9, 2002, Fitch raised its outlook on Malaysia's long-term foreign currency and ringgit debt to "positive" from "stable," rating its long-term, and foreign and local currency debt at BBB and A-, respectively. Fitch stated that the positive outlook reflects accelerated corporate restructuring, a strengthening financial sector, continuing large current account surpluses and strong international liquidity.

### Government

Peninsular Malaysia attained independence from Britain in 1957 as the Federation of Malaya. In 1963, Malaysia was formed as the successor to the Federation of Malaya, incorporating Sarawak, Sabah and Singapore. In August 1965, Singapore separated from Malaysia. Malaysia now consists of 13 states and three Federal Territories.

Malaysia has a federal system of government based on a parliamentary democracy headed by a constitutional monarch called the Yang di-Pertuan Agong. The Yang di-Pertuan Agong is elected for a five-year term by the nine hereditary Rulers who are members of a Conference of Rulers. The framework of government is determined by the constitution adopted at the time of independence. Federal executive power is exercised by the Prime Minister and his cabinet. Dato' Seri Dr. Mahathir bin Mohamad has been the Prime Minister since 1981.

Since its formation, Malaysia has been governed by the National Front coalition comprising 3 major component parties, namely: the United Malays National Organization (UMNO), the Malaysian Chinese Association (MCA), the Malaysian Indian Congress (MIC), and a number of smaller parties which have changed from time to time. An opposition to the National Front coalition exists but it has never been able to capture sufficient support to win control of the Parliament. In the last general elections held in November

1999, members of the National Front coalition were elected to 151 out of 193 seats in the House of Representatives of the Parliament. UMNO is the dominant party in the coalition, holding 72 of the coalition's 151 seats. The next general elections for the House of Representatives and most state legislative assemblies have not been scheduled, but they can be held at any time and must be held by late 2004.

### **Economic Policy and Planning**

Since 1966, the Government of Malaysia has formulated and implemented a series of five-year plans for the development of the Malaysian economy. These plans have been guided by the development policies set forth in the New Economic Policy ("NEP") introduced in 1970, the National Development Policy ("NDP"), which succeeded the NEP in 1991, and in a working paper presented by the Prime Minister in February 1991 entitled "Malaysia: The Way Forward" and known as "Vision 2020." The goal of the NEP and the NDP generally have been to eradicate poverty and to redistribute wealth through growth. In particular, they are aimed at promoting social stability through enhancing the participation of Bumiputera in the economy. The Government of Malaysia's implementation of these five-year plans and development policies has had a major influence on the Malaysian economy. In response to the 1997 – 1998 economic crisis, the Government of Malaysia established the National Economic Action Council to assist in policy formulation and the implementation of short- and medium-term economic recovery strategies.

### **Overall Economic Performance**

From 1986 through the first half of 1997, the Malaysian economy grew at a rapid rate. From 1995 to 1997, annual real GDP growth averaged 9%. During this period, the main catalysts of economic growth were investment and exports of goods and non-factor services, which grew at an average annual rate of 13.4% and 11.2%, respectively, in real terms over the period. Gross fixed capital formation was driven by private investment, which increased at an average annual rate of 16.3% in real terms during the same period.

In 1998, real GDP declined by 7.4%, with real aggregate domestic demand declining by 25.2%. The decline in private expenditure was significant. Uncertain economic outlook and employment prospects, the deferment of high import content projects, the negative wealth effects from the decline in share prices and the consequential balance sheet adjustments in the financial and corporate sectors led to a significant contraction in private sector expenditure. The adjustment was reflected in the decline of private sector expenditure in 1998 by 30% compared to 1997. The decline in consumption and export demand led to a build-up in stocks and excess capacity, depressing further private investment.

The counter-cyclical fiscal policy adopted by the Government of Malaysia contained the decline in public spending in 1998 to 8.6% in real terms. The Government of Malaysia increased funding for socio-economic development projects in tandem with the implementation of its fiscal stimulus program. Public sector investment was sustained by capital investment by the non-financial public enterprises for ongoing capacity expansion and modernization programs.

In 1999, the fiscal stimulus program as well as favorable developments in the external sector contributed to Malaysia's recovery from the recession of 1998. Real GDP registered a positive growth of 6.1% in 1999 as the business sector responded positively to the fiscal stimulus program and to rising external demand.

In 2000, the economy recorded a strong expansion with real GDP growth of 8.3%. The pace of economic activities accelerated, stimulated by both stronger external demand and an increase in domestic expenditure. The strong growth in exports was due to sustained strong demand for electronic and electrical products. With the strengthening external demand, stronger fiscal stimulus and a low interest rate environment, private sector activities strengthened significantly in 2000. Private consumption rose by 12.2% and private investment increased by 28.7%.

In 2001, real GDP growth moderated to 0.4%, compared to 8.3% in 2000, due to the decline in the manufacturing sector and less favorable external developments. Growth during this period was increasingly supported by domestic demand. Domestic demand was in turn supported by higher government expenditure during the period. The Government of Malaysia has been able to be flexible in its policies due to strong

fundamentals of the economy, and it has been proactive in implementing measures to promote domestic-led growth. The fiscal stimulus program has been targeted at those activities that have a positive effect on the economy to promote consumption and investment spending. Consequently, growth in total consumption remained positive, increasing by 4.7%, while growth in real gross fixed capital formation declined by 2.1% in 2001.

### Selected Economic Data

The following table sets forth selected economic data relating to Malaysia for the years 1997 to 2001:

	Year Ended December 31,				
	1997	1998	1999	2000	2001 <sup>(P)</sup>
(in millions, except percentages and as otherwise stated)					
GDP (nominal) <sup>(1)</sup> .....	281,793	283,243	300,340	340,706	332,651
Change in GDP in constant prices (%) .....	7.3	(7.4)	6.1	8.3	0.4
Consumer price index (% change) .....	2.7	5.3	2.8	1.6	1.4
Producer price index (% change) .....	3.7	10.7	(3.3)	3.1	(5.0)
Unemployment rate (%) .....	2.4	3.2	3.4	3.1	<4
Gross exports (f.o.b.) .....	220,890	286,563	321,560	373,270	334,420
Gross imports (c.i.f.) .....	220,936	228,125	248,477	311,459	280,691
Trade balance .....	(45)	58,439	73,083	61,811	53,729
Current account balance <sup>(2)</sup> .....	(16,697)	37,394	47,895	31,958	20,570
Exchange rate (RM per US\$) <sup>(3)</sup> .....	3.8883	3.8000	3.8000	3.8000	3.8000
Net international reserves <sup>(4)</sup> .....	59,122.8	99,424.4	117,243.5	113,541.3	117,202.9
Federal government overall budget surplus (deficit)	17,332	(3,754)	6,835	2,322	(16,215)

(P) Preliminary.

- (1) Base year 1987. In the first quarter of 1999, the Department of Statistics began releasing a new series of GDP data based on 1987 prices. Unlike the 1978-based GDP data, which relied more on gross output in the computation of value added, the 1987-based GDP data attempts, whenever data is available, to take into account variations in input in the computation. The new series of data is also more comprehensive in terms of wider coverage of industries and takes into account the change in the industrial structure of the economy between 1978 and 1987.
- (2) From the first quarter of 2001, the balance of payments, of which current account balance is one, is compiled in conformity with the guidelines set forth in the Fifth Edition of the Balance of Payments Manual of the International Monetary Fund. Balance of payments data for 1999 and 2000 have also been reclassified based on those guidelines. Balance of payments data for 1997 and 1998 have not been so reclassified and, therefore, may not be comparable in some respects.
- (3) As of December 31 of each period.
- (4) Net international reserves of Bank Negara Malaysia as of December 31 of each period.

Sources: Ministry of Finance of Malaysia, Department of Statistics, Economic Planning Unit, Bank Negara Malaysia.

### Labor

In 2000, labor market conditions strengthened, with increased employment prospects and a lower level of retrenchments. While total employment increased by 4.6% to 9.3 million workers, the labor force expanded by 4.3% to 9.6 million persons. Given the higher demand for labor, the unemployment rate declined to 3.1% in 2000.

Official estimates indicated that the number of workers retrenched increased by 50.9% to 38,116 persons in 2001, compared with 25,244 persons in 2000. Retrenchment in 2001 primarily was due to a decline in demand for products. As some employers viewed the economic slowdown as transitory, less severe measures

were adopted to contain the impact on their earnings. These measures included pay cuts and shorter working hours, involving 34,587 and 108,066 workers, respectively.

### **The Financial System**

The Malaysian financial system consists of Bank Negara Malaysia, banking institutions and non-bank financial institutions. Banking institutions comprise commercial banks, finance companies and merchant banks. The Government of Malaysia established an international offshore financial center in the Federal Territory of Labuan in 1990 and is also committed to promoting and developing the Islamic banking sector. Non-bank financial institutions include provident, pension and insurance funds, development finance institutions, savings institutions and other financial intermediaries.

To address the effects of the regional economic crisis that began in mid-1997 on the domestic economy, the Government of Malaysia introduced various measures to deal with potential banking sector problems. These measures involved: (i) the consolidation of the finance companies, (ii) the establishment of Pengurusan Danaharta Nasional Berhad, the national asset management company, to address the rise in non-performing loans in the banking system, (iii) the establishment of Danamodal Nasional Berhad, a special purpose vehicle to address the erosion of capital in the banking system and (iv) the establishment of the Corporate Debt Restructuring Committee to resolve corporate debt problems.

### **Monetary Policy**

Established in 1959, Bank Negara Malaysia is the central bank and the sole currency issuing bank in Malaysia. Bank Negara Malaysia is responsible for formulating and implementing monetary policy and supervising financial institutions in Malaysia. Bank Negara Malaysia also holds Malaysia's official foreign exchange reserves, administers exchange control regulations and acts as lender of last resort for the banking system.

The principal instruments used by Bank Negara Malaysia to implement monetary policy include open market operations, placement of deposits in and loans to the system, variations in reserve requirements and recycling of government deposits. In addition, interest on loans in Malaysia is determined by reference to the base lending rate, which is subject to a maximum ceiling based on movements in Bank Negara Malaysia's three-month intervention rate and a maximum administrative spread of 2.25%.

### **Exchange Control Policy**

On September 1, 1998, the Government of Malaysia introduced a series of selective exchange control measures designed to eliminate the internationalization of the ringgit to contain speculation and stabilize short-term capital flows. On September 2, 1998, the exchange rate was fixed at RM3.80 to US\$1.00.

The exchange control measures affect the following transactions:

- Transfers among non-residents via non-resident external accounts,
- Outflows of short-term capital by requiring short-term capital inflows to remain in the country for a minimum period of one year,
- Import and export of ringgit by travelers, both residents and non-residents, and
- Investments abroad by Malaysian residents.

There are no controls on:

- Current account transactions (an amendment to the rules requires trade transactions, both for goods and services, to be settled only in foreign currencies),
- Repatriation of interest, dividends, fees, commissions and the rental income from portfolio investments and other forms of ringgit assets, and
- Foreign direct investment inflows and outflows, including income and capital gains.

Effective February 15, 1999, the one-year minimum holding period was modified to allow foreign investors to repatriate principal capital and profits, subject to a graduated exit levy depending on whether the funds were brought into Malaysia before or after February 15, 1999 and the duration of the investment. This two-tier levy system provided flexibility to investors and was directed at encouraging existing portfolio investors to have a longer-term perspective of their investment in Malaysia. On September 21, 1999, a further relaxation was made when the exit levy on principal and the two-tier exit levy system were replaced by a flat levy of 10% on profits repatriated. On February 1, 2001, the levy was revised to apply only to profits made from portfolio investments retained in Malaysia for less than one year, while profits retained in Malaysia for more than one year were exempt from the levy. On May 2, 2001, the Government of Malaysia lifted all controls affecting the repatriation of foreign portfolio funds, which stem largely from the sale of stocks listed on the Kuala Lumpur Stock Exchange.

### **Foreign Investment**

The Government of Malaysia encourages foreign investment, particularly in the manufacturing sector, which accounted for approximately 40% to 60% of all foreign direct investment during the period from 1991 to 2000. The Government of Malaysia's recent efforts have been directed to attracting capital intensive and high technology investment. The Government of Malaysia generally encourages the formation of joint ventures between foreign and Malaysian investors for the production of export goods. To promote foreign direct investment, the Government of Malaysia has liberalized the equity ownership policy for the manufacturing sector. Under the current foreign equity ownership policy, which became effective July 31, 1998, foreign equity ownership of up to 100% in manufacturing sector companies is generally permitted irrespective of the level of exports, except for projects in certain industries.

### **Foreign Trade**

Foreign trade is significant to the Malaysian economy. In 2001, the manufacturing sector accounted for 85.3% of total export earnings, while the agriculture sector and minerals sector contributed 6% and 7%, respectively. The expansion of manufacturing exports is attributable to Government of Malaysia encouragement of export-oriented industries and the growth of manufacturing activity. The bulk of exports of manufactured goods in 1998 consisted of electronic and electrical components, including semi-conductors and electronic equipment and parts. Major agriculture exports include palm oil and rubber, and major mineral exports include crude petroleum and liquefied natural gas.

The United States, Singapore and Japan have historically been Malaysia's most important trading partners. In 2000, the United States accounted for 18.7% of total trade, followed by Japan (16.7%) and Singapore (16.5%). The depreciation of the ringgit resulted generally in marked improvement in Malaysia's favor in terms of bilateral trade balances.

**The Issuer**

**PETRONAS Capital Limited**

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