



PETRONAS

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

INTERIM FINANCIAL REPORT FOR SECOND QUARTER 2013

The Board of Directors of Petroliam Nasional Berhad (“PETRONAS” or the “Company”) is pleased to announce the following unaudited condensed consolidated financial statements of PETRONAS Group for the second quarter ended 30 June 2013 which should be read in conjunction with the Explanatory Notes on pages 6 to 20 and Appendix 1 on pages 21 to 23.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Individual quarter ended		Cumulative quarter ended	
	2013	30 June 2012 Restated	2013	30 June 2012 Restated
<i>In RM Mil</i>				
Revenue	74,424	70,760	151,100	146,012
Cost of revenue	(48,148)	(44,161)	(93,581)	(85,865)
Gross profit	26,276	26,599	57,519	60,147
Selling and distribution expenses	(1,306)	(976)	(2,596)	(2,212)
Administration expenses	(2,451)	(3,226)	(4,417)	(5,832)
Other expenses	(1,361)	(860)	(1,869)	(984)
Other income	1,268	1,742	2,882	2,823
Operating profit	22,426	23,279	51,519	53,942
Financing costs	(726)	(639)	(1,407)	(1,454)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	283	264	701	696
Profit before taxation	21,983	22,904	50,813	53,184
Tax expense	(6,721)	(7,504)	(15,179)	(16,840)
PROFIT FOR THE PERIOD	15,262	15,400	35,634	36,344
Other comprehensive income/(expenses)				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net movements from exchange differences	3,392	5,127	3,525	643
Available-for-sale financial assets				
- Changes in fair value	(401)	(406)	(735)	407
- Transfer to profit or loss upon disposal	(15)	(858)	(64)	(1,326)
Other comprehensive income	34	74	102	116
	3,010	3,937	2,828	(160)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	18,272	19,337	38,462	36,184
Profit attributable to:				
Shareholders of the Company	12,505	12,966	30,064	31,398
Non-controlling interests	2,757	2,434	5,570	4,946
PROFIT FOR THE PERIOD	15,262	15,400	35,634	36,344
Total comprehensive income attributable to:				
Shareholders of the Company	15,229	16,393	32,584	31,118
Non-controlling interests	3,043	2,944	5,878	5,066
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	18,272	19,337	38,462	36,184



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30.6.2013	As at 31.12.2012 Restated	As at 1.1.2012 Restated
<i>In RM Mil</i>			
ASSETS			
Property, plant and equipment	230,619	224,518	204,656
Investment properties, land held for development and prepaid lease payments	13,397	13,292	13,250
Investments in associates and joint ventures	11,706	11,258	11,824
Intangible assets	32,758	33,439	20,778
Fund and other investments	8,583	8,209	3,495
Cash and cash equivalents	284	164	89
Other non-current assets	22,490	10,063	7,971
TOTAL NON-CURRENT ASSETS	<u>319,837</u>	<u>300,943</u>	<u>262,063</u>
Trade and other inventories	13,540	14,187	12,366
Trade and other receivables	41,211	42,548	38,218
Fund and other investments	17,466	22,319	36,378
Cash and cash equivalents	121,849	108,474	126,799
Other current assets	531	755	631
TOTAL CURRENT ASSETS	<u>194,597</u>	<u>188,283</u>	<u>214,392</u>
TOTAL ASSETS	<u>514,434</u>	<u>489,226</u>	<u>476,455</u>
EQUITY			
Share capital	100	100	100
Reserves	312,242	306,970	289,620
Total equity attributable to shareholders of the Company	<u>312,342</u>	<u>307,070</u>	<u>289,720</u>
Non-controlling interests	34,209	32,001	31,741
TOTAL EQUITY	<u>346,551</u>	<u>339,071</u>	<u>321,461</u>
LIABILITIES			
Borrowings	31,829	30,773	38,930
Deferred tax liabilities	13,253	14,331	13,408
Other long term liabilities and provisions	32,107	26,458	23,938
TOTAL NON-CURRENT LIABILITIES	<u>77,189</u>	<u>71,562</u>	<u>76,276</u>
Trade and other payables	56,360	58,339	50,072
Borrowings	7,265	9,964	12,651
Taxation	10,069	9,751	15,995
Dividend payable	17,000	539	-
TOTAL CURRENT LIABILITIES	<u>90,694</u>	<u>78,593</u>	<u>78,718</u>
TOTAL LIABILITIES	<u>167,883</u>	<u>150,155</u>	<u>154,994</u>
TOTAL EQUITY AND LIABILITIES	<u>514,434</u>	<u>489,226</u>	<u>476,455</u>



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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Attributable to shareholders of the Company</i>			
	<i>Non-distributable</i>		<i>Foreign</i>	<i>Available-</i>
<i>In RM Mil</i>	<i>Share</i>	<i>Capital</i>	<i>Currency</i>	<i>for-sale</i>
	<i>Capital</i>	<i>Reserves</i>	<i>Translation</i>	<i>Reserve</i>
			<i>Reserve</i>	
Quarter ended 30 June 2012				
Balance at 1 January 2012				
- As previously reported	100	13,405	4,305	1,974
- Effect of the adoption of pronouncements	-	-	(45)	-
At 1 January 2012, restated	100	13,405	4,260	1,974
Net movements from exchange differences Available-for-sale financial assets	-	-	573	-
- Changes in fair value	-	-	-	386
- Transfer to profit or loss upon disposal	-	-	-	(1,326)
Other comprehensive income	-	87	-	-
Total other comprehensive income/(expenses) for the period	-	87	573	(940)
Profit for the period	-	-	-	-
Total comprehensive income/ (expenses) for the period	-	87	573	(940)
Additional issuance of shares to non-controlling interest	-	-	-	-
Dividends	-	-	-	-
Other movements	-	(2)	-	-
Total distribution to shareholders	-	(2)	-	-
Balance at 30 June 2012	100	13,490	4,833	1,034
Quarter ended 30 June 2013				
Balance at 1 January 2013				
- As previously reported	100	13,524	(640)	2,521
- Effect of the adoption of pronouncements	-	(6)	(82)	-
At 1 January 2013, restated	100	13,518	(722)	2,521
Net movements from exchange differences Available-for-sale financial assets	-	-	3,247	-
- Changes in fair value	-	-	-	(739)
- Transfer to profit or loss upon disposal	-	-	-	(64)
Other comprehensive income	-	76	-	-
Total other comprehensive income/(expenses) for the period	-	76	3,247	(803)
Profit for the period	-	-	-	-
Total comprehensive income/ (expenses) for the period	-	76	3,247	(803)
Additional equity interest in a subsidiary	-	-	-	-
Dividends	-	-	-	-
Other movements	-	20	-	-
Total contribution from/(distribution to) shareholders	-	20	-	-
Balance at 30 June 2013	100	13,614	2,525	1,718

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

<i>In RM Mil</i>	<i>Attributable to shareholders of the Company</i>			<i>Non- controlling Interests</i>	<i>Total Equity</i>
	<i>Distributable</i>				
	<i>General Reserve</i>	<i>Retained Profits</i>	<i>Total</i>		
Quarter ended 30 June 2012					
Balance at 1 January 2012					
- As previously reported	12,000	255,113	286,897	32,079	318,976
- Effect of the adoption of pronouncements	-	2,868	2,823	(338)	2,485
At 1 January 2012, restated	12,000	257,981	289,720	31,741	321,461
Net movements from exchange differences	-	-	573	70	643
Available-for-sale financial assets					
- Changes in fair value	-	-	386	21	407
- Transfer to profit or loss upon disposal	-	-	(1,326)	-	(1,326)
Other comprehensive income	-	-	87	29	116
Total other comprehensive income/(expenses) for the period	-	-	(280)	120	(160)
Profit for the period	-	31,398	31,398	4,946	36,344
Total comprehensive income/ (expenses) for the period	-	31,398	31,118	5,066	36,184
Additional issuance of shares to non-controlling interest	-	-	-	(2)	(2)
Dividends	-	(28,000)	(28,000)	(4,454)	(32,454)
Other movements	-	(6)	(8)	(54)	(62)
Total distribution to shareholders	-	(28,006)	(28,008)	(4,510)	(32,518)
Balance at 30 June 2012	12,000	261,373	292,830	32,297	325,127
Quarter ended 30 June 2013					
Balance at 1 January 2013					
- As previously reported	12,000	276,284	303,789	32,423	336,212
- Effect of the adoption of pronouncements	-	3,369	3,281	(422)	2,859
At 1 January 2013, restated	12,000	279,653	307,070	32,001	339,071
Net movements from exchange differences	-	-	3,247	278	3,525
Available-for-sale financial assets					
- Changes in fair value	-	-	(739)	4	(735)
- Transfer to profit or loss upon disposal	-	-	(64)	-	(64)
Other comprehensive income	-	-	76	26	102
Total other comprehensive income/(expenses) for the period	-	-	2,520	308	2,828
Profit for the period	-	30,064	30,064	5,570	35,634
Total comprehensive income/ (expenses) for the period	-	30,064	32,584	5,878	38,462
Additional equity interest in a subsidiary	-	(332)	(332)	332	-
Dividends	-	(27,000)	(27,000)	(4,002)	(31,002)
Other movements	-	-	20	-	20
Total contribution from/(distribution to) shareholders	-	(27,332)	(27,312)	(3,670)	(30,982)
Balance at 30 June 2013	12,000	282,385	312,342	34,209	346,551

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative quarter ended	
	2013	30 June 2012 Restated
<i>In RM Mil</i>		
Cash receipts from customers	151,764	142,724
Cash paid to suppliers and employees	(89,621)	(77,661)
	62,143	65,063
Interest income from fund and other investments	2,153	2,161
Interest expenses paid	(1,231)	(1,495)
Taxation paid	(16,490)	(16,338)
Cash flows from operating activities	46,575	49,391
Investment in securities	(1,783)	(10,576)
Proceeds from disposal of:		
- property, plant and equipment and intangible assets	3,276	653
- securities and other investment	4,958	14,393
Purchase of property, plant and equipment, prepaid lease payments and intangible assets	(22,270)	(20,143)
Others	(1,317)	1,075
Cash flows from investing activities	(17,136)	(14,598)
Repayment of borrowings	(7,371)	(8,902)
Drawdown of borrowings	5,141	601
Dividends paid	(10,539)	(11,000)
Dividends paid to non-controlling interests	(4,697)	(2,514)
Others	-	(39)
Cash flows from financing activities	(17,466)	(21,854)
Net increase in cash and cash equivalents	11,973	12,939
Decrease in deposits restricted	85	24
Net foreign exchange differences	1,059	180
Cash and cash equivalents at beginning of the period	108,626	125,724
Cash and cash equivalents at end of the period	121,743	138,867
Cash and cash equivalents		
Cash and bank balances and deposits	122,133	139,508
Negotiable certificate of deposits	1,140	1,158
Bank overdrafts	(923)	(1,053)
Less: Deposits restricted	(607)	(746)
	121,743	138,867



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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*. The results for this interim period are unaudited and should be read in conjunction with the Group's audited consolidated financial statements and the accompanying notes for the year ended 31 December 2012.

The explanatory notes attached to these condensed consolidated financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 December 2013 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements as at 1 January 2012 and 31 December 2012 other than that disclosed in the preceding quarter report relating to first time adoption of MFRS 10 *Consolidated Financial Statements* and MFRS 11 *Joint Arrangements* and its impact as at 1 January 2012. The impact of the adoption of MFRS 10 and MFRS 11 as disclosed in the preceding quarter report for 30 June 2012 are set out in Appendix 1.

3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no qualified audit report issued by the auditors in the annual financial statements for the period ended 31 December 2012.

4. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

5. EXCEPTIONAL ITEMS

There was no exceptional item during the quarter under review.

6. DIVIDENDS

During the period ended 30 June 2013:

- a) the Company paid a dividend of RM539 million of the approved tax exempt final dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM280,000 per ordinary share amounting to RM28.0 billion in respect of the financial period ended 31 December 2011.
- b) the Company paid a dividend of RM10.0 billion, being first to third payment of the approved tax exempt final dividend under Section 84 of the Petroleum (Income Tax) Act, 1967 of RM270,000 per ordinary share amounting to RM27.0 billion in respect of the financial year ended 31 December 2012.

The remaining amount of the tax exempt final dividend amounting to RM17.0 billion will be paid in installments between July and November 2013.



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

7. SIGNIFICANT AND SUBSEQUENT EVENTS

Petroleum operations in the Republic of South Sudan

Subsequent to the resumption order in April 2013, the Group's petroleum operations in South Sudan have received a shutdown order in July 2013. The full shutdown for oil produced from the territory of Republic of South Sudan is to be completed by 6 September 2013.

8. CHANGES IN COMPOSITION OF THE GROUP

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

9. OPERATING SEGMENTS

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

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

9.1 Revenue

	Individual quarter ended 30 June					
	2013	2012	2013	2012	2013	2012
<i>In RM Mil</i>	Restated Third Parties		Restated Inter-segment		Restated Gross Total	
Exploration and Production ¹	10,267	11,757	15,759	14,703	26,026	26,460
Gas and Power	20,985	19,295	1,510	1,674	22,495	20,969
Downstream	39,336	36,180	431	451	39,767	36,631
Corporate and Others	3,836	3,528	1,054	979	4,890	4,507
Total	74,424	70,760	18,754	17,807	93,178	88,567

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



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

9. OPERATING SEGMENTS (continued)

9.1 Revenue (continued)

<i>In RM Mil</i>	2013		2012		Cumulative quarter ended 30 June	
	2013	2012 Restated Third Parties	2013	2012 Restated Inter-segment	2013	2012 Restated Gross Total
Exploration and Production ¹	24,189	25,820	32,074	30,860	56,263	56,680
Gas and Power	44,423	40,653	3,090	3,510	47,513	44,163
Downstream	75,407	72,443	926	947	76,333	73,390
Corporate and Others	7,081	7,096	2,224	1,856	9,305	8,952
Total	151,100	146,012	38,314	37,173	189,414	183,185

9.2 NOPAT

<i>In RM Mil</i>	Individual quarter ended 30 June		Cumulative quarter ended 30 June	
	2013	2012 Restated	2013	2012 Restated
Exploration and Production	8,271	8,199	20,745	19,607
Gas and Power	3,291	4,362	8,710	9,398
Downstream	1,542	615	3,467	2,720
Corporate and Others	1,792	1,055	2,920	1,746
Total NOPAT for reportable segments	14,896	14,231	35,842	33,471
Elimination of inter-segment transactions	583	1,167	293	1,351
Consolidated NOPAT	15,479	15,398	36,135	34,822

9.3 Reconciliation of reportable segment NOPAT

<i>In RM Mil</i>	Individual quarter ended 30 June		Cumulative quarter ended 30 June	
	2013	2012 Restated	2013	2012 Restated
Consolidated NOPAT	15,479	15,398	36,135	34,822
Financing cost, net of tax	(507)	(428)	(988)	(988)
Share of profits of associates and joint ventures, net of tax	283	264	701	696
Unrealised foreign exchange losses	(553)	(1,117)	(1,016)	(93)
Other non-operating income, net of tax	560	1,283	802	1,907
Profit for the period	15,262	15,400	35,634	36,344



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PART B – OTHER EXPLANATORY NOTES

10. REVIEW OF GROUP PERFORMANCE

Cumulative quarter ended			Individual quarter ended		
30.6.2012	30.6.2013		30.6.2013	31.3.2013	30.6.2012
Restated		<i>In RM Mil</i>			Restated
146,012	151,100	Revenue	74,424	76,676	70,760
36,344	35,634	Profit for the period	15,262	20,372	15,400
34,822	36,135	NOPAT	15,479	20,656	15,398
62,928	60,693	EBITDA ²	26,335	34,358	27,642

<i>In RM Mil</i>	As at 30.6.2013	As at 31.12.2012 Restated
Total assets	514,434	489,226
Shareholders' equity	312,342	307,070
Total debt to total assets	7.6%	8.3%
ROACE ³	17.2%	17.2%

Second quarter PETRONAS Group recorded an increase in revenue of RM74.4 billion, compared with RM70.8 billion for the same period in 2012, while profit for the quarter slightly decreased to RM15.3 billion compared to the same period in 2012.

The increase in current quarter revenue was driven by higher crude oil and sales gas trading volume as well as higher petroleum products sales volume on the back of increased trading opportunities and stronger customer demand respectively. Nevertheless, the positive impact of higher trading and sales volume on revenue was partially offset by lower average prices realised for all major products in line with the downward trend of benchmark crude oil prices, namely Dated Brent and Tapis OSP, coupled with the effect of the strengthening of Ringgit against the US Dollar.

Profit and NOPAT for the quarter remained relatively flat despite an increase in revenue primarily due to lower margins resulting from higher operating expenses as well as lower gain on disposal of investments and property, plant and equipment, negated by lower impairment loss on intangible assets. Excluding the effect of the lower impairment loss during the quarter, EBITDA decreased by RM1.3 billion as compared to the same period in 2012.

Cumulative quarter PETRONAS Group recorded a 3.5% growth in revenue for the period ended 30 June 2013 at RM151.1 billion compared to RM146.0 billion a year ago mainly driven by higher crude oil and sales gas trading activities, albeit partly offset by a reduction in average realised prices for all major products.

² EBITDA consists of profit before taxation and non-controlling interests, with the addition of amounts previously deducted for depreciation, amortisation and impairment loss on property, plant and equipment and intangible assets and financing costs, and the exclusion of interest income.

³ Return on average capital employed (ROACE) is calculated as NOPAT divided by average shareholders' equity and long term debt during the period/year.



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PART B – OTHER EXPLANATORY NOTES (continued)

10. REVIEW OF GROUP PERFORMANCE (continued)

Profit for the period decreased by RM0.7 billion as compared to the same period last year despite an increase in revenue mainly due to lower margins resulting from higher operating expenses and lower non-operating income, partially negated by lower impairment loss on intangible assets. Excluding the effect of the lower non-operating income during the period, NOPAT increased by RM1.3 billion. EBITDA decreased by RM2.2 billion as compared to the same period in 2012.

Total assets increased to RM514.4 billion as at 30 June 2013 as compared to RM489.2 billion as at 31 December 2012 primarily as a result of the profit generated for the period. Shareholders' equity of RM312.3 billion as at 30 June 2013 increased by RM5.3 billion compared to that as at 31 December 2012 mainly due to the net impact of profit for the period attributable to shareholders of the company and approved final dividend amounting to RM27.0 billion in respect of the financial year ended 31 December 2012.

Total debt to total assets ratio decreased to 7.6% as at 30 June 2013 compared to 8.3% as at 31 December 2012 due to lower debt following net repayment of term loan during the period against higher total assets. ROACE remained constant at 17.2% as at 30 June 2013.



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PART B – OTHER EXPLANATORY NOTES (continued)

11. REVIEW OF PERFORMANCE - EXPLORATION AND PRODUCTION

Cumulative quarter ended		<i>Financial Indicators</i>	Individual quarter ended		
30.6.2012	30.6.2013		30.6.2013	31.3.2013	30.6.2012
Restated		<i>In RM Mil</i>			Restated
		Revenue			
25,820	24,189	Third party	10,267	13,922	11,757
30,860	32,074	Inter-segment	15,759	16,315	14,703
<u>56,680</u>	<u>56,263</u>		<u>26,026</u>	<u>30,237</u>	<u>26,460</u>
19,607	20,745	NOPAT	8,271	12,474	8,199

Cumulative quarter ended		<i>Operational Indicators</i>	Individual quarter ended		
30.6.2012	30.6.2013		30.6.2013	31.3.2013	30.6.2012
		Production ⁴ (‘000 boe ⁵ per day)			
721	741	Crude oil and condensates	740	743	665
1,259	1,374	Natural gas	1,335	1,413	1,185
<u>1,980</u>	<u>2,115</u>		<u>2,075</u>	<u>2,156</u>	<u>1,850</u>
		Oil and gas entitlement ⁶ (‘000 boe ⁵ per day)			
517	523	Crude oil and condensates	517	529	475
881	1,018	Natural gas	901	1,137	832
<u>1,398</u>	<u>1,541</u>		<u>1,418</u>	<u>1,666</u>	<u>1,307</u>

Second quarter Revenue for the quarter ended 30 June 2013 was RM26.0 billion compared to RM26.5 billion in corresponding quarter a year ago. The marginally lower revenue is mainly attributed by lower current year realised crude prices, despite higher production and entitlement. NOPAT increased to RM8.3 billion compared to RM8.2 billion in corresponding quarter last year, mainly due to lower current year well costs.

Total production for the quarter was at 2,075 thousand boe per day compared to 1,850 thousand boe per day in similar quarter last year. Crude and condensates production was higher by 75 thousand boe per day mainly due to better well performance in Malaysia operations, coupled with temporary production resumption in South Sudan. Natural gas production was higher by 150 thousand boe per day contributed by newly producing fields in Malaysia operations, and additional production from Canada. Overall oil and gas entitlement for the quarter also increased in line with the increase in production.

Cumulative quarter Revenue for the period ended 30 June 2013 was RM56.3 billion compared to RM56.7 billion in similar period last year. The marginally lower revenue reflected the impact of lower current year realised crude prices, despite increased production and entitlement. However, NOPAT increased by RM1.1 billion or 5.8% compared to similar period last year, mainly due to impairment on receivables in 2012.

⁴ Represents Malaysia’s production and PETRONAS Group’s international equity production volume

⁵ boe: barrels of oil equivalent

⁶ Represents PETRONAS Group’s entitlement to Malaysia’s production and PETRONAS Group’s international entitlement volume



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PART B – OTHER EXPLANATORY NOTES (continued)

11. REVIEW OF PERFORMANCE - EXPLORATION AND PRODUCTION (continued)

Total production for the quarter was 2,115 thousand boe per day compared to 1,980 thousand boe per day in the corresponding period last year. Crude and condensate was higher by 20 thousand boe per day mainly due to better well performance in Malaysia and new production from Iraq. Natural gas production was higher by 115 thousand boe per day contributed by newly producing fields in Malaysia operations, and additional production from Canada. Overall oil and gas entitlement for the period also increased in line with the increase in production.



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PART B – OTHER EXPLANATORY NOTES (continued)

12. REVIEW OF PERFORMANCE - GAS AND POWER

Cumulative quarter ended		<i>Financial Indicators</i>	Individual quarter ended		
30.6.2012 Restated	30.6.2013		30.6.2013	31.3.2013	30.6.2012 Restated
		<i>In RM Mil</i>			
		Revenue			
40,653	44,423	Third party	20,985	23,438	19,295
3,510	3,090	Inter-segment	1,510	1,580	1,674
44,163	47,513		22,495	25,018	20,969
9,398	8,710	NOPAT	3,291	5,419	4,362

Cumulative quarter ended		<i>Operational Indicators</i>	Individual quarter ended		
30.6.2012	30.6.2013		30.6.2013	31.3.2013	30.6.2012
2,461	2,753	Malaysia average sales gas volume (mmscfd) ⁷	2,794	2,711	2,449
12.92	13.79	LNG sales volume (million tonnes)	6.58	7.21	5.87

Second quarter Gas and Power segment registered RM22.5 billion revenue for the quarter ended 30 June 2013, an increase of RM1.5 billion or 7.3% compared to the corresponding quarter in 2012. The second quarter revenue benefited from higher volume from PETRONAS LNG Complex (PLC) and trading activities on the back of stronger demand from customers, negated by lower LNG realised prices.

The segment registered lower NOPAT at RM3.3 billion for the period, a decrease of RM1.1 billion compared to the corresponding period last year mainly due to costs incurred for the purchase of LNG via the new Malaysia regasification terminal (RGT) in Sungai Udang, Melaka, which was completed in second quarter this year and unrealised losses arising from adverse currency exchange rate effects.

Total LNG sales volume for the quarter was higher by 0.71 million tonnes or 12.1% as compared to the same quarter previous year driven by higher production from PLC in Bintulu, Sarawak and higher trading volume.

The quarter recorded favourable average sales gas volume by 345 mmscfd or 14.1% compared to the same period last year driven by increased gas supply from Malaysia-Thailand Joint Development Area (MTJDA). The increase in the average sales gas volume was also attributed by the additional gas supply generated from imports of LNG via RGT.

Cumulative quarter Gas and power registered RM47.5 billion revenue for the cumulative quarter ended 30 June 2013, an increase of RM3.4 billion or 7.6% compared to the corresponding cumulative quarter in 2012 driven by higher volume from PETRONAS LNG Complex (PLC) and trading activities on the back of stronger demand from customers, negated by lower LNG realised prices.

⁷ mmscfd: million standard cubic feet per day



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PART B – OTHER EXPLANATORY NOTES (continued)

12. REVIEW OF PERFORMANCE - GAS AND POWER (continued)

The segment registered lower NOPAT at RM8.7 billion for the period, a decrease of 7.3% compared to the corresponding period mainly due to costs incurred for the purchase of LNG via the new Malaysia RGT in Sungai Udang, Melaka, which was completed in second quarter this year and unrealised losses arising from adverse currency exchange rate effects.

Total LNG sales volume for the period was higher by 0.87 million tonnes or 6.7% as compared to the previous year on the back of higher production in PLC and increase in trading volume.

Average sales gas volume was higher by 292 mmscfd or 11.9% compared to the same period last year mainly from increased domestic supplies from Kertih, Terengganu and MTJDA coupled with the new gas supply sourced from LNG imported via the RGT.



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PART B – OTHER EXPLANATORY NOTES (continued)

13. REVIEW OF PERFORMANCE – DOWNSTREAM

Cumulative quarter ended		<i>Financial Indicators</i>	Individual quarter ended		
30.6.2012 Restated	30.6.2013		30.6.2013	31.3.2013	30.6.2012 Restated
		<i>In RM Mil</i>			
		Revenue			
72,443	75,407	Third party	39,336	36,071	36,180
947	926	Inter-segment	431	495	451
73,390	76,333		39,767	36,566	36,631
2,720	3,467	NOPAT	1,542	1,925	615

Cumulative quarter ended		<i>Operational Indicators</i>	Individual quarter ended		
30.6.2012	30.6.2013		30.6.2013	31.3.2013	30.6.2012
		Petroleum products sales volume (in million barrels)	74.7	68.3	72.3
142.7	142.9	Crude oil sales volume (in million barrels)	51.0	45.6	36.9
80.2	96.6	Petrochemicals sales volume (in million metric tonnes)	1.6	1.8	1.6
3.4	3.4				

Second quarter Total revenue for the quarter was RM39.8 billion, an increase of RM3.1 billion when compared to the corresponding period in 2012. The higher revenue was contributed primarily from higher sales volume of crude and petroleum products.

Both crude oil and petroleum products sales volume were higher than the corresponding period last year by 14.1 million barrels and 2.4 million barrels respectively mainly due to increased trading activities.

Downstream NOPAT was RM1.5 billion, higher than the corresponding period last year by RM0.9 billion. Apart from the higher sales volume of crude and petroleum products, improved refining, petrochemical and downstream marketing margins also contributed towards the higher NOPAT.

Cumulative quarter Total revenue for the period was RM76.3 billion, RM2.9 billion higher than the revenue from the corresponding period in 2012 mainly due to an increase in crude oil sales volume.

An overall increase in trading activities contributed towards these higher volumes. Crude oil sales volume was 16.4 million barrels more when compared to the corresponding period last year. Petroleum product sales volume also enjoyed a modest increase of 0.2 million barrels compared to the corresponding period last year due to the same reason.

Downstream cumulative NOPAT was RM3.5 billion, higher than the corresponding period last year by RM0.7 billion mainly due to higher realised refining and petrochemical margins, in addition to the higher sales volume, especially for crude oil.



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PART B – OTHER EXPLANATORY NOTES (continued)

14. REVIEW OF PERFORMANCE - CORPORATE AND OTHERS

Cumulative quarter ended		<i>Financial Indicators</i>	Individual quarter ended		
30.6.2012 Restated	30.6.2013		30.6.2013	31.3.2013	30.6.2012 Restated
		<i>In RM Mil</i>			
		Revenue			
7,096	7,081	Third party	3,836	3,245	3,528
1,856	2,224	Inter-segment	1,054	1,170	979
<u>8,952</u>	<u>9,305</u>		<u>4,890</u>	<u>4,415</u>	<u>4,507</u>
1,746	2,920	NOPAT	1,792	1,128	1,055

Second quarter Revenue for the quarter was RM4.9 billion, higher by 8.5% compared to the corresponding quarter a year ago primarily attributable to higher fund investment income and income from property business. NOPAT stood at RM1.8 billion, higher by RM0.7 billion compared to the corresponding quarter in line with higher revenue and lower maritime and logistics cost as a result of cessation of the liner business in June 2012.

Cumulative quarter Revenue for the period was RM9.3 billion, higher by 3.9% compared to the same period last year. NOPAT stood at RM2.9 billion, higher by 67.2% mainly due to lower maritime and logistics cost incurred during the period.

15. COMPARISON WITH PRECEDING QUARTER'S RESULT

<i>In RM Mil</i>	Individual quarter ended	
	30.6.2013	31.3.2013
Revenue	74,424	76,676
Profit for the period	15,262	20,372
NOPAT	15,479	20,656
EBITDA	26,335	34,358

PETRONAS Group's revenue of RM74.4 billion for the quarter was lower by RM2.3 billion or 2.9% as compared to the preceding quarter. The decrease was primarily driven by lower average realised prices for all major products and lower volume sold for crude oil and LNG, partially offset by higher crude oil trading volume.

Profit, NOPAT and EBITDA for the quarter decreased by RM5.1 billion, RM5.2 billion and RM8.0 billion respectively as compared to the preceding quarter mainly due to lower revenue and lower margin resulting from higher operating expenses incurred during the quarter.

16. CURRENT FINANCIAL YEAR PROSPECTS

The global economic and geopolitical uncertainties, volatility in oil prices and sluggish global oil demand growth may affect PETRONAS Group's performance. Despite these challenges and the continued high cost environment, the Board expects the overall current year performance of PETRONAS Group to be satisfactory.



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PART B – OTHER EXPLANATORY NOTES (continued)

17. TAXATION

<i>In RM Mil</i>	Individual quarter ended		Cumulative quarter ended	
	2013	30 June 2012	2013	30 June 2012
Current tax expenses				
Malaysia	7,308	7,931	15,499	16,737
Overseas	610	662	1,321	1,512
Deferred tax expenses				
Origination and reversal of temporary differences	(1,197)	(1,089)	(1,641)	(1,409)
	<u>6,721</u>	<u>7,504</u>	<u>15,179</u>	<u>16,840</u>
Effective tax rate	30.6%	32.8%	29.9%	31.7%

The Group's effective tax rate for the current quarter and period-to-date are 30.6% and 29.9% respectively. The lower effective tax rate for both period mainly due to higher non-assessable income recorded in the quarter and period-to-date.

18. CASH, FUND AND OTHER INVESTMENTS

<i>In %</i>	As at 30.6.2013	As at 31.12.2012
By Currency		
RM	63.1	69.1
USD	32.0	25.0
Others	4.9	5.9
	<u>100.0</u>	<u>100.0</u>
By Maturity⁸		
< 1 year	93.2	91.8
1 to 5 years	5.2	6.3
5 to 10 years	1.6	1.9
	<u>100.0</u>	<u>100.0</u>
By Type		
Money market	87.7	84.6
Government securities	3.2	5.8
Corporate bonds	5.0	5.1
Equities	4.1	4.5
	<u>100.0</u>	<u>100.0</u>

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

⁸ Refers to instrument maturity dates; exclude equities.



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PART B – OTHER EXPLANATORY NOTES (continued)

19. BORROWINGS

The details of the Group borrowings as at 30 June 2013 are as follows:

<i>In RM Mil</i>	As at 30.6.2013	As at 31.12.2012 Restated
Non-Current		
Secured		
Term loans	4,123	3,182
Islamic financing facilities	1,562	1,425
Total non-current secured borrowings	5,685	4,607
Unsecured		
Term loans	355	285
Notes and Bonds	18,444	17,769
Islamic financing facilities	7,345	8,112
Total non-current unsecured borrowings	26,144	26,166
Total non-current borrowings	31,829	30,773
Current		
Secured		
Term loans	818	347
Islamic financing facilities	194	473
Total current secured borrowings	1,012	820
Unsecured		
Term loans	2,445	5,927
Notes and Bonds	516	566
Islamic financing facilities	876	123
Revolving credits	1,493	1,415
Bank overdrafts	923	1,113
Total current unsecured borrowings	6,253	9,144
Total current borrowings	7,265	9,964
Total borrowings	39,094	40,737



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PART B – OTHER EXPLANATORY NOTES (continued)

19. BORROWINGS (continued)

<i>In RM Mil</i>	As at 30.6.2013		As at 31.12.2012 Restated	
		%		%
By Currency				
USD	27,382	70.0	26,365	64.7
RM	7,463	19.1	7,438	18.3
EUR	2,132	5.5	3,604	8.8
JPY	516	1.3	566	1.4
ZAR	765	2.0	1,175	2.9
Others	836	2.1	1,589	3.9
	39,094	100.0	40,737	100.0
By Repayment Schedule				
< 1 year	7,265	18.6	9,964	24.4
1 to 5 years	13,891	35.5	14,982	36.8
5 to 10 years	16,349	41.8	14,261	35.0
10 to 20 years	1,589	4.1	1,530	3.8
	39,094	100.0	40,737	100.0

20. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument for the quarter ended 30 June 2013.

21. MATERIAL LITIGATION

There has been no new material litigation filed for and against the Company in the current quarter. The legal suit brought against the Company by the Kelantan State Government in 2010 in respect of payment of petroleum proceeds under the terms of the agreement dated 9 May 1975 entered into between the Kelantan State Government and PETRONAS is still on-going as at quarter-end. PETRONAS has been advised by its solicitors that there is no merit in the claim by the Kelantan State Government.

In 2012, the legal suit brought by certain individuals (“plaintiffs”) against PETRONAS and the State Government of Sabah wherein the plaintiffs are seeking a declaration that the agreement dated 14 June 1976 entered into between the State Government of Sabah and PETRONAS is ultra vires and null and void; and a declaration that the Petroleum Development Act of 1974 is also ultra vires and null and void; is still on-going as at quarter-end. PETRONAS has been advised by its solicitors that there is no merit in the claim by the plaintiffs.



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PART B – OTHER EXPLANATORY NOTES (continued)

22. PROFIT FOR THE PERIOD

<i>In RM Mil</i>	Individual quarter ended		Cumulative quarter ended	
	2013	30 June 2012 Restated	2013	30 June 2012 Restated
Included in profit for the period are the following charges:				
Bad debt written off	1	-	2	13
Depreciation and amortisation	4,963	4,057	10,611	8,788
Impairment losses on:				
- receivables	146	240	146	873
- intangible assets	107	1,145	107	1,703
- property, plant and equipment	2	25	22	164
Net loss on derivatives	325	-	322	151
Net loss on foreign exchange	598	559	820	-
and credits:				
Dividend income	69	66	132	68
Gain on disposal of investments and property, plant and equipment	658	1,195	750	1,676
Interest income	1,329	1,128	2,150	2,365
Net gain on derivatives	-	3	-	-
Net gain on foreign exchange	-	-	-	121
Write back of impairment losses on:				
- receivables	-	45	-	61
- intangible assets	66	7	66	7
- property, plant and equipment	50	-	50	-

23. DIVIDENDS

As disclosed in Note 6.

24. EXCHANGE RATES

US dollar/RM	Individual quarter ended			Cumulative quarter ended		
	30.6.2013	31.3.2013	30.6.2012	30.6.2013	30.6.2012	31.12.2012
Average rate	3.0711	3.0810	3.1138	3.0761	3.0873	3.0884
Closing rate	3.1775	3.0900	3.1965	3.1775	3.1965	3.0625

By order of the Board

Faridah Haris Hamid (LS 0008785)
Company Secretary
Kuala Lumpur
26 August 2013



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APPENDIX 1 – IMPACT OF THE ADOPTION OF PRONOUNCEMENTS

a) Reconciliation of consolidated statement of profit or loss and other comprehensive income for individual quarter ended 30 June 2012

<i>In RM Mil</i>	As previously reported	Effect of the adoption of pronouncements	As restated
Revenue	70,697	63	70,760
Cost of revenue	(44,212)	51	(44,161)
Gross profit	26,485	114	26,599
Selling and distribution expenses	(976)	-	(976)
Administration expenses	(3,386)	160	(3,226)
Other expenses	(860)	-	(860)
Other income	1,767	(25)	1,742
Operating profit	23,030	249	23,279
Financing costs	(646)	7	(639)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	287	(23)	264
Profit before taxation	22,671	233	22,904
Tax expense	(7,451)	(53)	(7,504)
PROFIT FOR THE PERIOD	15,220	180	15,400
Other comprehensive income/(expenses)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net movements from exchange differences	5,103	24	5,127
Available-for-sale financial assets			
- Changes in fair value	(406)	-	(406)
- Transfer to profit or loss upon disposal	(858)	-	(858)
Other comprehensive income/(expenses)	76	(2)	74
	3,915	22	3,937
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	19,135	202	19,337



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APPENDIX 1 – IMPACT OF THE ADOPTION OF PRONOUNCEMENTS (continued)

b) Reconciliation of consolidated statement of profit or loss and other comprehensive income for cumulative quarter ended 30 June 2012

	As previously reported	Effect of the adoption of pronouncements	As restated
<i>In RM Mil</i>			
Revenue	145,870	142	146,012
Cost of revenue	(85,925)	60	(85,865)
Gross profit	59,945	202	60,147
Selling and distribution expenses	(2,212)	-	(2,212)
Administration expenses	(6,048)	216	(5,832)
Other expenses	(984)	-	(984)
Other income	2,835	(12)	2,823
Operating profit	53,536	406	53,942
Financing costs	(1,469)	15	(1,454)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures	642	54	696
Profit before taxation	52,709	475	53,184
Tax expense	(16,745)	(95)	(16,840)
PROFIT FOR THE PERIOD	35,964	380	36,344
Other comprehensive (expenses)/income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net movements from exchange differences Available-for-sale financial assets	642	1	643
- Changes in fair value	407	-	407
- Transfer to profit or loss upon disposal	(1,326)	-	(1,326)
Other comprehensive income/(expenses)	121	(5)	116
	(156)	(4)	(160)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	35,808	376	36,184



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APPENDIX 1 – IMPACT OF THE ADOPTION OF PRONOUNCEMENTS (continued)

c) Reconciliation of consolidated statement of cash flows as at 30 June 2012

	As previously reported	Effect of the adoption of pronouncements	As restated
<i>In RM Mil</i>			
Cash receipts from customers	142,743	(19)	142,724
Cash paid to suppliers and employees	(77,888)	227	(77,661)
	64,855	208	65,063
Interest income from fund and other investments	2,111	50	2,161
Interest expenses paid	(1,510)	15	(1,495)
Taxation paid	(16,238)	(100)	(16,338)
Cash flows from operating activities	49,218	173	49,391
Investment in securities	(10,224)	(352)	(10,576)
Proceeds from disposal of:			
- property, plant and equipment	653	-	653
- securities and other investment	14,011	382	14,393
Purchase of property, plant and equipment, prepaid lease payments and intangible assets	(20,380)	237	(20,143)
Others	1,135	(60)	1,075
Cash flows from investing activities	(14,805)	207	(14,598)
Repayment of borrowings	(8,997)	95	(8,902)
Drawdown of borrowings	757	(156)	601
Dividends paid	(11,000)	-	(11,000)
Dividends paid to non-controlling interests	(2,524)	10	(2,514)
Others	(16)	(23)	(39)
Cash flows from financing activities	(21,780)	(74)	(21,854)
Net increase in cash and cash equivalents	12,633	306	12,939
Decrease in deposits restricted	24	-	24
Net foreign exchange differences	180	-	180
Cash and cash equivalents at beginning of the period	124,283	1,441	125,724
Cash and cash equivalents at end of the period	137,120	1,747	138,867
Cash and cash equivalents			
Cash and bank balances and deposits	137,761	1,747	139,508
Negotiable certificate of deposits	1,158	-	1,158
Bank overdrafts	(1,053)	-	(1,053)
Less: Deposits restricted	(746)	-	(746)
	137,120	1,747	138,867