2023
Audited Financial Statements

PETRONAS | 50 YEARS

Passionate about Progress

Financial Statements

DIRECTORS' REPORT

For the financial year ended 31 December 2023

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activities of the Company in the course of the financial year remained unchanged and consist of exploitation of oil and gas, the marketing of petroleum and petroleum products and investment holding. The principal activities of key subsidiaries, key associates and key joint arrangements are stated in Note 42, Note 43 and Note 44 to the financial statements respectively. The principal activities of other subsidiaries are available in the respective subsidiaries' Directors' Report or at the Company's registered office and the Board of Directors ("Board") deems such information is included in the Company's Directors' Report by such reference and shall form part of the Company's Directors' Report.

The Company is wholly-owned by the Government of Malaysia.

SUBSIDIARIES

The details of the Company's key subsidiaries are disclosed in Note 42 to the financial statements.

RESULTS

In RM Mil	**Group**	**Company**
Profit for the year	80,714	48,762
Profit attributable to:		
Shareholders of the Company	74,361	48,762
Non-controlling interests	6,353	–

DIVIDENDS

During the financial year, the amount of dividends paid by the Company were as follows:

- a dividend of RM350,000 per ordinary share amounting to RM35 billion declared to shareholders on 23 February 2023 and paid in instalments between March and November 2023; and
- a dividend of RM50,000 per ordinary share amounting to RM5 billion declared to shareholders on 22 June 2023 and paid in instalments between August and December 2023.

The Directors had on 14 March 2024 declared a dividend of RM320,000 per ordinary share amounting to RM32 billion. The dividend will be recognised and accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2024.

Further details on dividends are disclosed in Note 29.

RESERVES AND PROVISIONS

There were no material movements to and from reserves and provisions during the financial year other than as disclosed in the financial statements.

DIRECTORS' REPORT
For the financial year ended 31 December 2023 (continued)

DIRECTORS

Directors who served during the financial year until the date of this report are:

Tan Sri Dato' Seri Mohd Bakke bin Salleh (Chairman)
Tan Sri Tengku Muhammad Taufik
Azizan bin Zakaria (appointed on 15 November 2023)
Tan Sri Zaharah binti Ibrahim
Dato Hj Ibrahim bin Baki
Liza binti Mustapha
Datuk K.Y. Mustafa
Datuk Johan bin Mahmood @ Johan Mahmood Merican (appointed on 1 April 2023)
Ainul Azhar bin Ainul Jamal (retired on 19 April 2023)
Thayaparan a/l S Sangarapillai (retired on 19 April 2023)
Dato' Razali bin Mohd Yusof (resigned on 1 August 2023)

The Company has been granted a relief order pursuant to Section 255(1) of the Companies Act, 2016 relieving the Company's Directors from full compliance to the requirements under Section 253(2) of the Companies Act, 2016.

The names of Directors of subsidiaries are available in the respective subsidiaries' Directors' Report or at the Company's registered office and the Board deems such information is included in the Company's Directors' Report by such reference and shall form part of the Company's Directors' Report.

DIRECTORS' INTERESTS

None of the Directors holding office at 31 December 2023 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than the benefits disclosed below), by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Directors' benefits paid to or receivable by the Directors in respect of the financial year ended 31 December 2023 was RM25 million comprising fees, emoluments and other long-term and short-term employee benefits.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REPORT
For the financial year ended 31 December 2023 (continued)

ISSUE OF SHARES

There were no changes in the issued and paid up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

INDEMNITY AND INSURANCE COSTS

During the financial year, Petroliam Nasional Berhad ("PETRONAS") and its subsidiaries maintained a Directors' and Officers' Liability Insurance in accordance with Section 289 of the Companies Act, 2016. The total insured limit for the Directors and Officers Liability Insurance effected for the Directors and Officers of the Group was RM1,290 million per occurrence and in the aggregate. The insurance premium for the Group and the Company are RM2,996,000 and RM899,000 respectively.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) the necessary actions had been taken in relation to the writing off of bad debts and the provisioning of doubtful debts and satisfied themselves that all known bad debts have been written off and adequate provision made for doubtful debts; and

(ii) any current assets which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company, had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

(iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

(ii) any material contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

DIRECTORS' REPORT
For the financial year ended 31 December 2023 (continued)

OTHER STATUTORY INFORMATION (continued)

No material contingent liability or other liability, other than as disclosed in the financial statements, of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2023 have not been substantially affected by any item, transaction or event of a material and unusual nature, nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept reappointment.

The auditors' remuneration for the financial year ended 31 December 2023 is as follows:

In RM Mil	**Group**	**Company**
Audit fees		
KPMG PLT	8	2
Affiliates of KPMG PLT	7	–
Other auditors	32	–
	47	2
Non audit service fees		
KPMG PLT	1	1
Affiliates of KPMG PLT	2	1
Other auditors	77	52
	80	54

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

Tan Sri Dato' Seri Mohd Bakke bin Salleh
Chairman

Tan Sri Tengku Muhammad Taufik
Director

Kuala Lumpur,
Date: 14 March 2024

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 6 to 172, are drawn up in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2023 and of their financial performance and cash flows for the financial year then ended on that date.

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

Tan Sri Dato' Seri Mohd Bakke bin Salleh
Chairman

Tan Sri Tengku Muhammad Taufik
Director

Kuala Lumpur,
Date: 14 March 2024

STATUTORY DECLARATION

I, **Liza binti Mustapha**, the Director primarily responsible for the financial management of **PETRONAS**, do solemnly and sincerely declare that the financial statements set out on pages 6 to 172 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
Liza binti Mustapha
MIA Membership Number: 47410
at **Kuala Lumpur** in **Wilayah Persekutuan**
on 14 March 2024.

BEFORE ME:

PESURUHJAYA SUMPAH
W 800
AMIR BIN ISMAIL
01.01.2023-31.12.2025
MALAYSIA
NO. 33-4, JALAN MEDAN TUANKU
50300 KUALA LUMPUR.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

In RM Mil	Note	31.12.2023	31.12.2022
ASSETS			
Property, plant and equipment	3	**326,398**	301,218
Investment properties	4	**9,388**	9,644
Land held for development	5	**2,887**	3,014
Investments in associates	7	**2,919**	2,621
Investments in joint ventures	8	**7,449**	5,493
Intangible assets	9	**31,902**	26,260
Long-term receivables	10	**47,939**	41,127
Fund and other investments	11	**10,778**	1,425
Deferred tax assets	13	**27,853**	20,675
TOTAL NON-CURRENT ASSETS		**467,513**	411,477
Trade and other inventories	14	**14,307**	15,612
Trade and other receivables	15	**57,028**	53,998
Fund and other investments	11	**11,620**	10,945
Cash and cash equivalents	16	**208,492**	201,220
		291,447	281,775
Assets classified as held for sale	17	**14,341**	17,318
TOTAL CURRENT ASSETS		**305,788**	299,093
TOTAL ASSETS		**773,301**	710,570
EQUITY			
Share capital	18	**100**	100
Reserves	19	**443,369**	401,509
Total equity attributable to shareholders of the Company		**443,469**	401,609
Non-controlling interests	20	**59,396**	58,822
TOTAL EQUITY		**502,865**	460,431
LIABILITIES			
Borrowings	21	**98,754**	96,345
Deferred tax liabilities	13	**13,297**	11,829
Other long-term liabilities and provisions	23	**64,434**	50,418
TOTAL NON-CURRENT LIABILITIES		**176,485**	158,592
Trade and other payables	24	**68,076**	63,677
Borrowings	21	**12,867**	7,812
Taxation		**3,931**	8,438
		84,874	79,927
Liabilities classified as held for sale	17	**9,077**	11,620
TOTAL CURRENT LIABILITIES		**93,951**	91,547
TOTAL LIABILITIES		**270,436**	250,139
TOTAL EQUITY AND LIABILITIES		**773,301**	710,570

The notes set out on pages 19 to 172 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

In RM Mil	Note	2023	2022
Continuing operations			
Revenue	25	**305,755**	330,009
Cost of revenue		**(182,465)**	(175,509)
Gross profit		**123,290**	154,500
Selling and distribution expenses		**(8,943)**	(7,324)
Administration expenses		**(15,245)**	(13,888)
Net impairment losses/write-off[1]		**(6,096)**	(1,749)
Other expenses		**(3,359)**	(3,312)
Other income		**8,479**	7,723
Operating profit	26	**98,126**	135,950
Financing costs	27	**(5,500)**	(4,929)
Share of profit after tax and non-controlling interests of equity accounted associates and joint ventures		**872**	957
Profit before taxation from continuing operations		**93,498**	131,978
Tax expense	28	**(14,559)**	(34,173)
Profit for the year from continuing operations		**78,939**	97,805
Discontinuing operations			
Profit for the year from discontinuing operations, net of tax	17	**1,775**	3,813
Profit for the year		**80,714**	101,618
Profit attributable to:			
Shareholders of the Company		**74,361**	92,313
Non-controlling interests		**6,353**	9,305
PROFIT FOR THE YEAR		**80,714**	101,618

[1] Excludes well costs and includes loss on remeasurement/derecognition of financial assets measured at amortised cost.

The notes set out on pages 19 to 172 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

In RM Mil	**2023**	**2022**
Profit for the year	**80,714**	101,618
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Net changes in fair value of equity investments at fair value through other comprehensive income ("OCI")	**(128)**	(429)
Items that may be reclassified subsequently to profit or loss		
Net movements from exchange differences	**10,071**	8,430
Cash flow hedge	**(873)**	2,999
Others	**20**	185
Total other comprehensive income for the year, net of tax	**9,090**	11,185
TOTAL COMPREHENSIVE INCOME FOR THE YEAR[1]	**89,804**	112,803
Total comprehensive income attributable to:		
Shareholders of the Company	**81,437**	100,926
Non-controlling interests	**8,367**	11,877
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**89,804**	112,803

[1] Included in the above balances are amount in relation to discontinuing operations amounting to RM1,628 million (2022: RM3,811 million). Refer to Note 17.

The notes set out on pages 19 to 172 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

		Attributable to shareholders of the Company				
		Non-distributable				
In RM Mil	**Note**	**Share Capital**	**Capital and Other Reserves**	**Foreign Currency Translation Reserve**	**Fair Value through OCI Reserve**	**Hedging Reserve**
Balance at 1 January 2023		**100**	**15,987**	**39,771**	**145**	**863**
Net changes of equity investments at fair value through OCI:						
– Changes in fair value		–	–	–	**(128)**	–
Net movements from exchange differences		–	–	**8,070**	–	–
Cash flow hedge		–	–	–	–	**(756)**
Other comprehensive income		–	**(110)**	–	–	–
Total other comprehensive income/(loss) for the year, net of tax		–	**(110)**	**8,070**	**(128)**	**(756)**
Profit for the year		–	–	–	–	–
Total comprehensive income/(loss) for the year		–	**(110)**	**8,070**	**(128)**	**(756)**
Changes in ownership interests in subsidiaries		–	**(59)**	**120**	–	–
Redemption of redeemable preference shares in subsidiaries		–	**342**	–	–	–
Dividends to shareholders of the Company	29	–	–	–	–	–
Dividends to non-controlling interests		–	–	–	–	–
Total transactions with owners of the Group		–	**283**	**120**	–	–
Balance at 31 December 2023		**100**	**16,160**	**47,961**	**17**	**107**

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The notes set out on pages 19 to 172 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023 (continued)

		Attributable to shareholders of the Company				
		Distributable				
In RM Mil	Note	General Reserve	Retained Profits	Total	Non-controlling Interests	Total Equity
Balance at 1 January 2023		**12,000**	**332,743**	**401,609**	**58,822**	**460,431**
Net changes of equity investments at fair value through OCI:						
– Changes in fair value		**–**	**–**	**(128)**	**–**	**(128)**
Net movements from exchange differences		**–**	**–**	**8,070**	**2,001**	**10,071**
Cash flow hedge		**–**	**–**	**(756)**	**(117)**	**(873)**
Other comprehensive income		**–**	**–**	**(110)**	**130**	**20**
Total other comprehensive income/ (loss) for the year, net of tax		**–**	**–**	**7,076**	**2,014**	**9,090**
Profit for the year		**–**	**74,361**	**74,361**	**6,353**	**80,714**
Total comprehensive income/ (loss) for the year		**–**	**74,361**	**81,437**	**8,367**	**89,804**
Changes in ownership interests in subsidiaries		**–**	**362**	**423**	**129**	**552**
Redemption of redeemable preference shares in subsidiaries		**–**	**(342)**	**–**	**(660)**	**(660)**
Dividends to shareholders of the Company	29	**–**	**(40,000)**	**(40,000)**	**–**	**(40,000)**
Dividends to non-controlling interests		**–**	**–**	**–**	**(7,262)**	**(7,262)**
Total transactions with owners of the Group		**–**	**(39,980)**	**(39,577)**	**(7,793)**	**(47,370)**
Balance at 31 December 2023		**12,000**	**367,124**	**443,469**	**59,396**	**502,865**

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The notes set out on pages 19 to 172 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023 (continued)

		Attributable to shareholders of the Company				
		Non-distributable				
In RM Mil	Note	Share Capital	Capital and Other Reserves	Foreign Currency Translation Reserve	Fair Value through OCI Reserve	Hedging Reserve
Balance at 1 January 2022		100	15,838	33,370	574	(1,608)
Net changes of equity investments at fair value through OCI:						
– Changes in fair value		–	–	–	(429)	–
Net movements from exchange differences		–	–	6,422	–	–
Cash flow hedge		–	–	–	–	2,471
Other comprehensive income		–	149	–	–	–
Total other comprehensive income/ (loss) for the year, net of tax		–	149	6,422	(429)	2,471
Profit for the year		–	–	–	–	–
Total comprehensive income/ (loss) for the year		–	149	6,422	(429)	2,471
Changes in ownership interests in subsidiaries		–	–	(21)	–	–
Redemption of redeemable preference shares in a subsidiary		–	–	–	–	–
Dividends to shareholders of the Company	29	–	–	–	–	–
Dividends to non-controlling interests		–	–	–	–	–
Total transactions with owners of the Group		–	–	(21)	–	–
Balance at 31 December 2022		100	15,987	39,771	145	863

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The notes set out on pages 19 to 172 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023 (continued)

		Attributable to shareholders of the Company				
		Distributable				
In RM Mil	Note	General Reserve	Retained Profits	Total	Non-controlling Interests	Total Equity
Balance at 1 January 2022		12,000	290,529	350,803	53,484	404,287
Net changes of equity investments at fair value through OCI:						
– Changes in fair value		–	–	(429)	–	(429)
Net movements from exchange differences		–	–	6,422	2,008	8,430
Cash flow hedge		–	–	2,471	528	2,999
Other comprehensive income		–	–	149	36	185
Total other comprehensive income/(loss) for the year, net of tax		–	–	8,613	2,572	11,185
Profit for the year		–	92,313	92,313	9,305	101,618
Total comprehensive income/(loss) for the year		–	92,313	100,926	11,877	112,803
Changes in ownership interests in subsidiaries		–	(99)	(120)	355	235
Redemption of redeemable preference shares in a subsidiary		–	–	–	(855)	(855)
Dividends to shareholders of the Company	29	–	(50,000)	(50,000)	–	(50,000)
Dividends to non-controlling interests		–	–	–	(6,039)	(6,039)
Total transactions with owners of the Group		–	(50,099)	(50,120)	(6,539)	(56,659)
Balance at 31 December 2022		12,000	332,743	401,609	58,822	460,431

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The notes set out on pages 19 to 172 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

In RM Mil	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation from:			
– continuing operations		**93,498**	131,978
– discontinuing operations	17	**2,086**	3,978
Profit before taxation		**95,584**	135,956
Adjustments for:			
Amortisation of intangible assets and contract costs		**2,433**	2,154
Change in contract liabilities		**(299)**	(9)
Change in provisions		**(1,169)**	(1,006)
Depreciation of property, plant and equipment and investment properties		**35,354**	31,791
Financing costs		**5,833**	5,226
Interest income		**(11,563)**	(5,677)
Loss on remeasurement/derecognition of financial assets measured at amortised cost		**874**	939
Loss on remeasurement of net assets classified as held for sale		**537**	1,304
Net impairment losses/(reversals) of:			
– other intangible assets		**50**	1,348
– loans and advances to joint ventures		**(11)**	141
– other investments		**1**	–
– property, plant and equipment and investment properties	26	**525**	(815)
– trade and other receivables		**1,183**	(230)
Net impairment/write-off of well costs		**1,439**	1,363
Net inventories written down to net realisable value/written off		**78**	233
Net (gain)/loss on disposals of investments in subsidiaries, associates, property, plant and equipment, intangible assets, other investments and a business		**(1,697)**	610
Net unrealised gain on derivatives		**(31)**	(33)
Net unrealised loss on foreign exchange		**1,563**	5,277
Net write-off of:			
– bad debts		**169**	42
– property, plant and equipment		**3,386**	372
– other assets		**9**	–
Share of profit after tax and non–controlling interests of equity accounted associates and joint ventures		**(872)**	(968)
Other non-cash items		**(2)**	80
Operating profit before changes in working capital		**133,374**	178,098

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The notes set out on pages 19 to 172 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023 (continued)

In RM Mil	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES (continued)			
Operating profit before changes in working capital (continued)		**133,374**	178,098
Change in trade and other receivables		**(8,777)**	(17,347)
Change in trade inventories		**301**	(4,750)
Change in trade and other payables		**9,797**	8,103
Cash generated from operations		**134,695**	164,104
Interest income received		**11,563**	5,677
Interest expenses paid		**(3,382)**	(3,024)
Taxation paid, net of refund		**(28,718)**	(31,471)
Net cash generated from operating activities		**114,158**	135,286
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash used in investing activities	30	**(59,296)**	(39,431)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities	31	**(53,098)**	(69,884)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,764**	25,971
(INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS RESTRICTED		**(474)**	341
NET FOREIGN EXCHANGE DIFFERENCES		**5,957**	10,514
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**200,384**	163,558
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**207,631**	200,384
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	16	**208,492**	201,220
Classified as held for sale:			
– Cash and bank balances		**1,167**	1,173
– Bank overdrafts		**(515)**	(970)
		209,144	201,423
Less: Cash and cash equivalents – restricted	16	**(1,513)**	(1,039)
		207,631	200,384

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The notes set out on pages 19 to 172 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

In RM Mil	Note	31.12.2023	31.12.2022
ASSETS			
Property, plant and equipment	3	**16,574**	16,493
Investments in subsidiaries	6	**164,430**	157,629
Investments in associates	7	**302**	302
Investments in joint ventures	8	**843**	843
Intangible assets	9	**323**	80
Long-term receivables	10	**110,256**	88,270
Fund and other investments	11	**3,869**	73
Deferred tax assets	13	**9,033**	8,236
TOTAL NON-CURRENT ASSETS		**305,630**	271,926
Trade and other inventories	14	**43**	91
Trade and other receivables	15	**28,971**	29,687
Fund and other investments	11	**6,698**	6,949
Cash and cash equivalents	16	**75,160**	91,167
TOTAL CURRENT ASSETS		**110,872**	127,894
TOTAL ASSETS		**416,502**	399,820
EQUITY			
Share capital	18	**100**	100
Reserves	19	**282,308**	273,250
TOTAL EQUITY		**282,408**	273,350
LIABILITIES			
Borrowings	21	**63,726**	61,432
Other long-term liabilities and provisions	23	**47,848**	39,331
TOTAL NON-CURRENT LIABILITIES		**111,574**	100,763
Trade and other payables	24	**21,810**	23,726
Borrowings	21	**517**	650
Taxation		**193**	1,331
TOTAL CURRENT LIABILITIES		**22,520**	25,707
TOTAL LIABILITIES		**134,094**	126,470
TOTAL EQUITY AND LIABILITIES		**416,502**	399,820

The notes set out on pages 19 to 172 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

In RM Mil	Note	2023	2022
Revenue	25	**161,195**	169,670
Cost of revenue		**(89,441)**	(99,004)
Gross profit		**71,754**	70,666
Selling and distribution expenses		**(498)**	(517)
Administration expenses		**(9,154)**	(8,225)
Net impairment (losses/write-off) and reversals[1]		**(8,360)**	2,817
Other expenses		**(1,689)**	(217)
Other income		**10,143**	9,234
Operating profit	26	**62,196**	73,758
Financing costs	27	**(4,361)**	(3,626)
Profit before taxation		**57,835**	70,132
Tax expense	28	**(9,073)**	(10,315)
Profit for the year		**48,762**	59,817
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedge		**296**	(324)
Total other comprehensive income/(loss) for the year, net of tax		**296**	(324)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**49,058**	59,493

[1] Includes loss on remeasurement/derecognition of financial assets measured at amortised cost.

The notes set out on pages 19 to 172 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

		Attributable to shareholders of the Company				
		Non-distributable		***Distributable***		
In RM Mil	Note	Share Capital	Hedging Reserve	General Reserve	Retained Profits	Total Equity
Balance at 1 January 2023		**100**	**(450)**	**12,000**	**261,700**	**273,350**
Cash flow hedge		**–**	**296**	**–**	**–**	**296**
Profit for the year		**–**	**–**	**–**	**48,762**	**48,762**
Total comprehensive income for the year		**–**	**296**	**–**	**48,762**	**49,058**
Dividends representing transactions with owners of the Company	29	**–**	**–**	**–**	**(40,000)**	**(40,000)**
Balance at 31 December 2023		**100**	**(154)**	**12,000**	**270,462**	**282,408**
Balance at 1 January 2022		100	(126)	12,000	251,883	263,857
Cash flow hedge		–	(324)	–	–	(324)
Profit for the year		–	–	–	59,817	59,817
Total comprehensive (loss)/ income for the year		–	(324)	–	59,817	59,493
Dividends representing transactions with owners of the Company	29	–	–	–	(50,000)	(50,000)
Balance at 31 December 2022		100	(450)	12,000	261,700	273,350

The notes set out on pages 19 to 172 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

In RM Mil	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**57,835**	70,132
Adjustments for:			
Amortisation of intangible assets		**60**	33
Change in contract liabilities		**(765)**	(89)
Change in fair value of cess and decarbonisation fund receivables		**(1,800)**	(493)
Change in provisions		**561**	(441)
Depreciation of property, plant and equipment		**2,734**	1,611
Dividend income		**(27,326)**	(28,074)
Financing costs		**4,361**	3,626
Gain on partial disposals of subsidiaries and other investments		**–**	(50)
Interest income		**(7,472)**	(4,599)
Loss/(Gain) on disposals of property, plant and equipment		**318**	(1)
Loss on remeasurement/derecognition of financial assets measured at amortised cost		**238**	21
Net impairment losses/(reversals) of:			
– investments in subsidiaries		**4,971**	(3,094)
– loans and advances to subsidiaries and a joint venture		**(8)**	(25)
– property, plant and equipment		**(318)**	–
– trade and other receivables		**1,377**	281
Net unrealised gain on foreign exchange		**(2,050)**	(2,517)
Net unrealised loss on derivatives		**125**	191
Net write-off of:			
– property, plant and equipment		**2,082**	–
– other assets		**18**	–
Operating profit before changes in working capital		**34,941**	36,512
Change in trade and other receivables		**(164)**	(6,929)
Change in trade inventories		**48**	–
Change in trade and other payables		**(2,936)**	7,510
Cash generated from operations		**31,889**	37,093
Interest income received		**6,515**	3,992
Interest expenses paid		**(2,293)**	(2,441)
Taxation paid		**(11,209)**	(11,108)
Net cash generated from operating activities		**24,902**	27,536
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash (used in)/generated from investing activities	30	**(1,706)**	47,023
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities	31	**(41,480)**	(58,415)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(18,284)**	16,144
NET FOREIGN EXCHANGE DIFFERENCES		**2,277**	2,332
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**91,167**	72,691
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**75,160**	91,167
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	16	**75,160**	91,167

The notes set out on pages 19 to 172 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

1. BASIS OF PREPARATION

1.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act, 2016 in Malaysia.

As of 1 January 2023, the Group and the Company had adopted a new MFRS and Amendments to MFRSs ("pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB") as described fully in Note 41.

MASB has also issued revised pronouncements which are not yet effective for the Group and the Company and therefore, have not been adopted in these financial statements. These pronouncements including their impact on the financial statements in the period of initial application are set out in Note 41. Revised pronouncements that are not relevant to the operations of the Group and of the Company are set out in Note 41.

These financial statements were approved and authorised for issue by the Board of Directors on 14 March 2024.

1.2 Basis of measurement

The financial statements of the Group and of the Company have been prepared on historical cost basis except for certain items which are measured at fair value, as disclosed in the accounting policies below.

1.3 Functional and presentation currency

The individual financial statements of each entity in the Group are prepared using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company has been determined as Ringgit Malaysia.

The Group's and the Company's financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's reporting currency. All financial information has been rounded to the nearest million, unless otherwise stated.

1.4 Use of estimates and judgments

The preparation of financial statements in conformity with MFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

(i) Note 3 : Property, plant and equipment
(ii) Note 9 : Intangible assets
(iii) Note 13 : Deferred tax
(iv) Note 21 : Borrowings
(v) Note 23 : Other long-term liabilities and provisions
(vi) Note 25 : Revenue
(vii) Note 28 : Tax expense
(viii) Note 39 : Financial instruments

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES

The Group adopted amendments to MFRS 101 *Presentation of Financial Statements* and MFRS Practice Statement 2 – *Disclosures of Accounting Policies* from 1 January 2023. The amendments require the disclosure of "material", rather than "significant", accounting policies. The amendments did not result in any changes to the accounting policy information disclosed in the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements by the Group and the Company, unless otherwise stated.

2.1 Basis of consolidation

Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases.

All inter-company transactions are eliminated on consolidation and revenue and profits relate to external transactions only. Unrealised losses resulting from inter-company transactions are also eliminated unless cost cannot be recovered.

Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group. The identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the aggregate of the fair value of the consideration. Non-controlling interests are stated either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

When a business combination is achieved in stages, the Group remeasures its previously held non-controlling equity interest in the acquiree at fair value at the acquisition date, with any resulting gain or loss recognised in the profit or loss. Increase in the Group's ownership interest in an existing subsidiary is accounted for as equity transactions with differences between the fair value of consideration paid and the Group's proportionate share of net assets acquired, recognised directly in equity.

The Group measures goodwill as the excess of the aggregate fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and any previously held interest in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in the profit or loss.

Goodwill arising from business combinations prior to 1 October 2009 is stated at the previous carrying amount less subsequent impairments, pursuant to the adoption of MFRS framework by the Group in the financial year ended 31 December 2012.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of consolidation (continued)

Business combinations (continued)

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented, or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain or loss is recognised directly in equity.

Non-controlling interests

Non-controlling interests at the end of the reporting period, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Group, whether directly or indirectly through subsidiaries, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the shareholders of the Company.

Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and consolidated statement of other comprehensive income as an allocation of the profit or loss and total comprehensive income for the year between the non-controlling interests and shareholders of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

Loss of control

Upon loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and other components of equity related to the former subsidiary from the consolidated statement of financial position except when the retained interest is a joint operation where the Group's retained interest in the assets and liabilities of the former subsidiary are not derecognised. Any surplus or deficit arising from the loss of control is recognised in the profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost except when the retained interest is a joint operation where such interest is measured at its carrying amount. Subsequently, it is accounted for as an equity-accounted investee or as a fair value through other comprehensive income financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.2 Associates

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

Associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The consolidated financial statements include the Group's share of post-acquisition profits or losses and other comprehensive income of the equity-accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

The Group's share of post-acquisition reserves and retained profits less losses are added to the carrying value of the investment in the consolidated statement of financial position. These amounts are taken from the latest audited financial statements or management financial statements of the associates.

When the Group's share of post-acquisition losses exceeds its interest in an equity accounted associate, the carrying amount of that interest (including any long-term investments such as loans and advances) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with the resulting gain or loss being recognised in the profit or loss. Any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's interest in an associate decreases but does not result in loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in the profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets and liabilities.

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

2.3 Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified as either joint operation or joint venture. A joint arrangement is classified as joint operation when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation. A joint arrangement is classified as joint venture when the Group has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method as described in Note 2.2.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment and depreciation

Recognition and measurement

Freehold land and projects-in-progress are stated at cost less accumulated impairment losses and are not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of material and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and the Company and its cost can be measured reliably. The carrying amount of the replaced item of property, plant and equipment is derecognised with any corresponding gain or loss recognised in the profit or loss accordingly. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment and depreciation (continued)

Depreciation

Depreciation for property, plant and equipment other than oil and gas properties (excluding oil and gas infrastructures), is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Property, plant and equipment are not depreciated until the assets are ready for their intended use.

Amortisation of producing oil and gas properties is computed based on the unit of production method using total proved reserves for capitalised acquisition cost, certain facilities and wells. For other capitalised exploration and development costs, facilities and wells, total proved developed reserves are used. Infrastructures are depreciated over a period of not more than 25 years.

The estimated useful lives of other property, plant and equipment are as follows:

• Buildings	5 – 100 years
• Plant and equipment	2 – 66 years
• Office equipment, furniture and fittings	3 – 20 years
• Computer software and hardware	3 – 20 years
• Motor vehicles	2 – 10 years
• Vessels	20 – 30 years

The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term (other than certain right-of-use assets related to oil and gas properties which are depreciated using the unit of production method based on the earlier of the reserve cut-off or expiry of the lease contract).

The depreciable amount is determined after deducting residual value. The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, period and method of depreciation are consistent with the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Estimates in respect of certain items of property, plant and equipment were revised during the year as detailed out in Note 3.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the profit or loss.

2.5 Investment properties

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purpose. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Freehold land and projects-in-progress are stated at cost and are not depreciated. Other investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any, consistent with the accounting policy for property, plant and equipment as stated in Note 2.4.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5 Investment properties (continued)

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing costs.

Depreciation for buildings is recognised in the profit or loss on a straight-line basis over their estimated useful lives ranging between 10 and 100 years. An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between net disposal proceeds and the carrying amount is recognised in the profit or loss in the period in which the item is derecognised.

2.6 Land held for development

Land held for property development consists of land or such portions thereof on which no development activities have been carried out or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at the lower of cost and net realisable value consistent with the accounting policy for inventories as stated in Note 2.16.

Cost includes acquisition cost of land and attributable development expenditure. Cost associated with the acquisition of land includes the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Development expenditure includes the cost for development of main infrastructure works.

Land held for development is reclassified as properties under development at the point when development activities have commenced and where it can be demonstrated that the development activities can be completed within the normal operating cycle. Properties under development are in turn, reclassified as developed properties held for sale upon completion of the development activities. Properties under development and developed properties held for sale are recognised as trade and other inventories in current assets. The accounting policy is described separately in Note 2.16.

2.7 Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.7 Leases (continued)

(ii) Recognition and initial measurement

(a) As a lessee

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate is used. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Company are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Company are reasonably certain not to early terminate the contract.

The Group and the Company exclude variable lease payments that are linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs. The Group and the Company assess at lease commencement whether it is reasonably certain to exercise the extension options in determining the lease term.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group and the Company present right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'borrowings' in the statement of financial position.

The accounting for lease arrangement in a joint operation depends on whether the Group or the Company is the operator or non-operator of a joint operation.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.7 Leases (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

Where the Group or the Company is an operator and is the sole signatory to a lease contract of an asset to be used in the activities of a specific joint operation, the operator does so implicitly or explicitly on behalf of the joint operation. As this is the customary norm in upstream activities operated through a joint operation, the operator will manage the lease, pay the lessor and subsequently re-bill the partners for their share of the lease costs. In such instance, it is necessary to determine whether:

- the operator is the sole lessee in the external lease arrangement, and if so, whether the billings to partners may represent sub-leases, or
- it is in fact the joint operation, which the lessee and other participants account for its proportionate share of the lease.

Where the Group is a non-operator, it is necessary to determine whether the finance sublease exists in the lease arrangement.

Depending on the facts and circumstances in each case, the Group recognises the lease liabilities based on the principles described below.

The Group as an operator of a joint operation

Where all partners in a joint operation are sharing the primary responsibility for lease payments under a contract, the related lease liability and right-of-use asset will be recognised by the Group, on the basis of the Group's participating interest in the joint operation.

The Group will recognise a lease liability fully when it has or considered to have the primary responsibility for the full external lease payments.

When a finance sub-lease exists between the Group and the non-operators, the Group will derecognise a portion of the right-of-use asset equal to the non-operator's interests in the lease, and instead recognise a corresponding finance lease receivable. A finance sub-lease will typically exist when the Group enters into a contract in its own name, where it has the primary responsibility for the external lease payments, and the leased asset is to be used on one specific joint operation, and the costs and risks related to the use of this asset are carried by that specific joint operation.

Where the use of the leased asset on a joint operation is not considered a finance sub-lease, the Group will recognise the related right-of-use asset and lease liability on a gross basis. Such expenses have under the previous lease accounting rules been reflected net by the Group, on the basis of the Group's net participation interest in the joint operation. Expenses which are not included in a recognised lease obligation, such as payments for short-term leases, non-lease components and variable lease payments will continue to be reported net in the Group's statement of profit or loss, on the basis of the Group's net participation interest.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.7 Leases (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

The Group as a non-operator of a joint operation

As a non-operator of a joint operation, the Group will recognise its proportionate share of a lease when the Group shares the primary responsibility for lease payments under a contract. This includes contracts where the Group has co-signed a lease contract and contracts for which the operator has been given a legally binding mandate to sign the external lease contract on behalf of the licence partners.

The Group will also recognise its proportionate share when a lease contract is entered by the operator of a joint operation, and where the operator's use of the leased asset represents a sub-lease from the operator to the non-operators. A sub-lease is considered to take place in situations where the operator agrees with the non-operators for a specified period of time, and where the use of the asset is deemed to be controlled jointly by the joint operation.

(b) As a lessor

When the Group and the Company act as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Company make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Group and the Company recognise assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Company use the interest rate implicit in the lease to measure the net investment in the lease.

Assets leased out under an operating lease are accounted for in accordance with the policy for property, plant and equipment set out in Note 2.4.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.7 Leases (continued)

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term (other than certain right-of-use assets related to oil and gas properties which are depreciated using the unit of production method based on the earlier of the reserve cut-off or expiry of the lease contract).

The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Depreciation of certain right-of-use assets are subsequently capitalised into carrying amount of other assets whenever they meet the criteria for capitalisation. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Company change its assessment of whether it will exercise a purchase, extension or termination option. The Group will reassess whether it is reasonably certain to exercise the extension option if there is a significant change in circumstances within its control.

When the lease liability is remeasured as described above, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

When there is lease modification due to increase in the scope of lease by adding the right to use one or more underlying assets, the Group and the Company assess whether the lease modification shall be accounted for as a separate lease or similar to reassessment of lease liability.

The Group and the Company account for lease modification as a separate lease when the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments.

When there is lease modification due to decrease in scope, the Group and the Company reduce the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease. The corresponding gain or loss shall be recognised in the profit or loss. Lease liabilities are remeasured for all other lease modifications with corresponding adjustments to the right-of-use asset.

(b) As a lessor

The Group and the Company recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of Revenue.

The Group and the Company recognise finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's and the Company's net investment in the lease. The Group and the Company aim to allocate finance income over the lease term on a systematic and rational basis. The Group and the Company apply the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9 *Financial Instruments* (see Note 2.12).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.8 Investments

Long-term investments in subsidiaries, associates and joint ventures are stated at cost less impairment losses, if any, in the Company's financial statements unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs. The carrying amount of these investments includes fair value adjustments on shareholder's loans and advances, if any (see Note 2.12).

2.9 Intangible assets

Goodwill

Goodwill arising from business combinations is initially measured at cost as described in Note 2.1. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. The entire carrying amount of the investment is reviewed for impairment when there is objective evidence of impairment.

Exploration expenditure

Intangible assets also include expenditure on the exploration for and evaluation of oil and natural gas resources (hereinafter collectively referred to as "exploration expenditure"). The accounting policy for exploration expenditure is described separately in Note 2.10.

Allowances and certificates

Allowances and certificates consist of purchased carbon credit. These carbon credit will be utilised in settlement of environmental carbon emission incurred by the Group and the Company in the normal course of doing business.

Allowances and certificates with indefinite useful lives are carried at cost less accumulated impairment losses. These allowances and certificates are reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Utilisation of allowances and certificates will be charged to the profit or loss, within cost of revenue, which reflects the cost of allowances required to offset carbon emission for the current year. Any unutilised allowances and certificates will remain as intangible assets to be utilised against future carbon emission.

Other intangible assets

Intangible assets other than goodwill and exploration expenditure are measured on initial recognition at cost. The costs of intangible assets acquired in a business combination are their fair values as at the date of acquisition.

Intangible assets related to development and production service contract ("DPSC") which consist of expenditure incurred in bringing a field to first commercial production ("FCP"), are capitalised as incurred. The amount capitalised further includes capital expenditure after achieving FCP, interest and other financing cost incurred, if any, on significant development activities prior to FCP. Other intangible cost also includes the right to use the oil and gas producing assets. After FCP, the Group capitalises costs which qualify for capitalisation relating to improvements or new development for respective DPSC.

Other intangible assets include trademarks which consist of brand names, patents and know-how being proprietary processes which give an edge over competitors and customer relations which reflect the future value generation related to core customers.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.9 Intangible assets (continued)

Other intangible assets (continued)

Following initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives other than certain recoverable expenditure incurred under service contracts is recognised in the profit or loss on a straight-line basis over the estimated economic useful lives as follows:

Trademark	20 years
Customer relations	30 years
Know-how and patents	30 years
Formulae	20 years
Technology and digital assets	5 – 19 years

Certain recoverable expenditure incurred under service contracts is amortised based on unit of production method, calculated based on entitlement of production for the period and estimated entitlement for the remaining life of the asset. Estimates are made in relation to expected entitlement of production which are based on the actual cost incurred but yet to be recovered and application of the prevailing crude oil price. The amortisation method and the useful life of intangible assets are reviewed at least at each reporting date.

Intangible assets with finite useful lives are assessed for impairment whenever there is an indication that it may be impaired. Impairment assessment on intangible assets with indefinite useful lives is performed annually.

2.10 Exploration and development expenditure

The Group follows the successful efforts method of accounting for the exploration and development expenditure.

Exploration expenditure

Costs directly associated with an exploration well, including license acquisition and drilling costs, are initially capitalised as intangible assets until the results have been evaluated.

If a well does not result in successful discovery of economically recoverable volume of hydrocarbons, such costs are written off as a dry well. If hydrocarbons are found and, subject to further appraisal activity which may include the drilling of further wells and are likely to be capable of commercial development under prevailing economic conditions, the costs continue to be carried as intangible assets. All such carried costs are reviewed at least once a year to determine whether the reserves found or appraised remain economically viable. When this is no longer the case, the costs are written off.

Where development plan is commercially viable and approved by the relevant authorities, the related exploration and evaluation costs are transferred to projects-in-progress in property, plant and equipment.

Development expenditure

Development expenditure comprises all costs incurred in bringing a field to commercial production and is capitalised as incurred. The amount capitalised includes attributable interests and other financing costs incurred on exploration and development before commencement of production.

Upon commencement of production, the exploration and development expenditure initially capitalised as projects-in-progress are transferred to oil and gas properties and are depreciated as described in the accounting policy for property, plant and equipment and depreciation (see Note 2.4).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.11 Non-current assets held for sale and discontinuing/discontinued operations

Non-current assets held for sale

Non-current assets and disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Immediately before classification as held for sale, the assets (or all the assets and liabilities in a disposal group) are remeasured in accordance with the Group's applicable accounting policies. Thereafter, on initial classification as held for sale, the assets or disposal groups are measured at the lower of carrying amount and fair value less cost to sell. Any differences are charged to the profit or loss.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no impairment loss is allocated to inventories, contract assets, contract costs, financial assets, deferred tax assets, employee benefit assets and investment properties, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in the profit or loss. Gains are not recognised in excess of any cumulative impairment losses.

Intangible assets, property, plant and equipment and investment properties once classified as held for sale are not amortised nor depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

Discontinuing/Discontinued operations

A disposal group qualifies as discontinuing/discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations; or
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinuing/discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinuing/discontinued operations in the statement of profit or loss. Additional disclosures are provided in Note 17.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.12 Financial instruments

Recognition and initial measurement

A financial instrument is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument. Regular way purchases or sales were recognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the financial asset.

A financial asset (unless it is a receivable without a significant financing component) and a financial liability is measured at fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, any directly attributable transaction cost incurred at the acquisition or issuance of the financial instrument.

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

Classification and subsequent measurement

(i) Financial assets

Financial assets are classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, as appropriate.

The Group and the Company determine the classification of financial assets at initial recognition and are not reclassified subsequent to their initial recognition unless the Group and the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as at fair value through profit or loss.

Subsequent measurement

Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method (see Note 2.12 (v)). Interest income and foreign exchange gains and losses are recognised in profit or loss.

Fair value through other comprehensive income

Debt instruments

This category comprises debt instruments where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt instruments are not designated as at fair value through profit or loss.

Equity instruments

Fair value through other comprehensive income category also comprises investment in equity instruments that are not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

Classification and subsequent measurement (continued)

(i) Financial assets (continued)

Fair value through other comprehensive income (continued)

Subsequent measurement

Financial assets categorised as fair value through other comprehensive income are subsequently measured at fair value with unrealised gains and losses recognised directly in other comprehensive income and accumulated under fair value through other comprehensive income reserve in equity. For debt instruments, when the investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is reclassified to the profit or loss. For equity instruments, the gains or losses accumulated in other comprehensive income are never reclassified to the profit or loss.

Fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument as per Notes 2.12 (iii) and 2.12 (iv)). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses recognised in the profit or loss. The methods used to measure fair value are stated in Note 2.25.

(ii) Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise; or,
- if a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the Group's and the Company's key management personnel; or
- if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9 *Financial Instruments,* where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

Classification and subsequent measurement (continued)

(ii) Financial liabilities (continued)

Fair value through profit or loss (continued)

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

Amortised cost

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method (see Note 2.12 (v)).

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

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15 *Revenue from Contracts with Customers.*

Liabilities arising from financial guarantees are presented together with other provisions.

(iv) Derivative financial instruments

The Group and the Company use derivative financial instruments such as interest rate and foreign currency swaps, forward rate contracts, futures and options, to manage certain exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains and losses arising from changes in fair value on derivatives during the year are recognised in the profit or loss.

In general, contracts to sell or purchase non-financial items to meet expected own use requirements are not accounted for as financial instruments. However, contracts to sell or purchase commodities that can be net settled or which contain written options are required to be recognised at fair value, with gains and losses recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

Classification and subsequent measurement (continued)

(iv) Derivative financial instruments (continued)

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(v) Effective interest method

Amortised cost is computed using the effective interest method. This method used effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

(vi) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

(vii) Amortised cost of financial instruments

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2.13 (i)) where effective interest rate is applied to the amortised cost.

(viii) Derecognition of financial instruments

Financial asset

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

Financial liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss. In the case of waiver of debt from owners, the gain is recognised in equity as capital reserve.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

Classification and subsequent measurement (continued)

(ix) Modification of financial instruments

Financial asset

The Group and the Company may renegotiate or otherwise modify the contractual cash flows of a financial asset. When this happens, the Group and the Company assess whether or not the new terms are substantially different from the original terms. The Group and the Company consider, among others, factors such as the debtor's financial difficulty, significant extension of the financial asset term and deterioration of credit risk associated with the financial asset.

If the terms are substantially different, the Group and the Company derecognise the original financial asset and recognise a "new" asset at fair value and recalculate a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group and the Company also assess whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in the profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group and the Company recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognise a gain or loss on remeasurement in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired ("POCI") financial assets).

Financial liability

The Group and the Company derecognise a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is accounted for in accordance with the policy set out in Note 2.12 (viii).

If the terms are not substantially different, the modification does not result in derecognition, and the Group and the Company recalculate the amortised cost of the liability by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss on remeasurement is recognised in the profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the gain or loss on remeasurement is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

Hedge Accounting

(i) Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss.

In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in the profit or loss. The effective portion of changes in the fair value of the hedging instrument that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

The Group designates only the change in the intrinsic value of option contracts as the hedging instrument in cash flow hedging relationships. The change in the time value element of option contracts is accounted for as a cost of hedging, included in the cash flow hedge reserve within equity.

The Group and the Company designate only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is accounted for as a cost of hedging, included in the cash flow hedge reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss as a reclassification adjustment.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedge is discontinued, the amount that has been accumulated in the hedging reserve remains in equity if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income must be accounted for depending on the nature of the underlying transaction as described above.

(ii) Hedge of a net investment

Hedge of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to a cash flow hedge. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.12 Financial instruments (continued)

Interest rate benchmark reform

The Group and the Company have applied the practical expedients provided in the amendments to MFRS 9 *Financial Instruments,* MFRS 139 *Financial Instruments: Recognition and Measurement,* MFRS 7 *Financial Instruments: Disclosures,* MFRS 4 *Insurance Contracts* and MFRS 16 *Leases (Interest Rate Benchmark Reform – Phase 2)* upon transition from London Inter-Bank Offered Rate to Secured Overnight Financing Rate ("SOFR").

For contracts which are still in transition to SOFR as at reporting date, the Group and the Company have applied alternative benchmark rate available in the market.

2.13 Impairment

(i) Financial assets, contract assets and finance lease receivables

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and finance lease receivables.

The Group and the Company measure loss allowances on debt securities and cash and cash equivalents at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risks at the reporting date, other debt instruments for which credit risk has not increased significantly since initial recognition and finance lease receivables which are measured at 12-month expected credit loss.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is past due.

The Group and the Company consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group and the Company in full, without recourse by the Group and the Company to actions such as realising security.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.13 Impairment (continued)

(i) Financial assets, contract assets and finance lease receivables (continued)

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI financial assets, lifetime expected credit losses are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI financial assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime expected credit losses since initial recognition of the asset.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment (see Note 2.12(i)).

(ii) Other assets

The carrying amounts of other assets, other than inventories, deferred tax assets and non-current assets or disposal groups classified as held for sale, are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

A cash-generating unit is the smallest identifiable asset group that generates cash flows from continuing use that are largely independent from other assets and groups. An impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

An impairment loss in respect of goodwill is not reversed in the subsequent period. In respect of other assets, impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised. This includes certain amount of write-back for subsequent write-off.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.14 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances, deposits with licensed financial institutions and highly liquid investments which have an insignificant risk of changes in fair value and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and deposits restricted, if any.

2.15 Contract assets and contract liabilities

Contract assets represent the Group's and the Company's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time. Contract assets are subjected to impairment in accordance to MFRS 9 *Financial Instruments* (see Note 2.13 (i)).

Contract liabilities represent the Group's and the Company's obligation to transfer goods or services to a customer for which the Group and the Company have received consideration, or the amount is due, from the customer.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost of crude oil and condensates includes costs of bringing the inventories to their present location and condition and is determined on a weighted average basis. Cost of crude oil and condensates for processing includes costs of bringing the inventories to their present location and condition, less trade discounts and rebates and is determined on the first-in, first-out basis.

Cost of petroleum products includes crude oil costs, export duty, transportation charges and processing costs and is determined on a weighted average basis.

Cost of liquefied natural gas and petrochemical products includes raw material costs and production overheads and is determined on a weighted average basis.

Cost of material stores and spares consists of the invoiced value from suppliers and import duty charges and is determined on a weighted average basis.

Cost of developed properties held for sale and properties under development consists of costs associated with the acquisition of land, all costs that are directly attributable to development activities, appropriate proportions of common costs attributable to developing the properties, and interest expenses incurred during the period of active development.

Lifting of offtake arrangements for crude oil and condensate produced in jointly-owned operations are such that it is not practicable for each participant to receive or sell its precise share of the overall production during the period. At each reporting date, the extent of underlift is recognised as an asset at the lower of the cost and net realisable value, while overlift is recognised as a liability. The net movement of underlift and overlift is recognised in the profit or loss in cost of revenue.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.17 Provisions, contingent liabilities and contingent assets

Provisions

Provisions are recognised if, as a result of past events, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future net cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the accretion in the provision due to the passage of time is recognised as finance cost.

The amount recognised as provisions is the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of an outflow of economic benefits is remote. Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group, are not recognised in the financial statements but are disclosed as contingent liabilities, unless the possibility of an outflow of economic resources is considered remote.

Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statement of financial position but is disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

In particular, information about provisions that have the most significant effect on the amount recognised in the financial statements is described in Note 23.

Onerous contract

A provision for onerous contract is recognised when the expected benefits to be derived by the Group and the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group and the Company recognise any impairment loss on the assets associated with that contract.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.18 Employee benefits

Short-term benefits

Wages and salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company.

Long-term benefits plan

Long-term benefits are granted to eligible employees subject to meeting the predetermined financial performance and value growth targets of the Group and the Company over a vesting period of certain number years.

Liability arising from long-term benefits is measured and reviewed at each reporting date, based on the management's estimates on the achievement of the pre-determined targets, and it is recognised as an expense over the performance period. The difference between estimate and actual will be recognised in the profit or loss when incurred.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund.

Some of the Group's foreign subsidiaries make contributions to their respective countries' statutory pension schemes and certain other independently-administered funds which are defined contribution plans.

Such contributions are recognised as an expense in the profit or loss as incurred.

2.19 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent it relates to a business combination or items recognised directly in equity, in which case it is recognised in equity or other comprehensive income.

Current tax

Current tax expense is the expected tax payable on the taxable income for the year, using the statutory tax rates at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided for, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unabsorbed capital allowances, unused reinvestment allowances, unused investment tax allowances, unused tax losses and other unused tax credits can be utilised.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.19 Taxation (continued)

Deferred tax (continued)

Deferred tax is not recognised for temporary differences arising from initial recognition of goodwill and an asset or liability in a transaction which is not a business combination and any item that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities where they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the future taxable profit will be available against which the related tax benefit can be realised.

Global minimum top-up tax

The Group has adopted International Tax Reform – Pillar Two Model Rules upon its release on 2 June 2023. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two Model Rules as well as disclosure requirements on the exposure to Pillar Two income taxes upon adoption. The application by the respective entity is subject to when the law is being enacted or substantively enacted in the respective country jurisdiction.

Upon its application, the Group will apply a temporary mandatory relief from deferred tax accounting for the impact of the top-up tax and accounts for it as a current tax when it is incurred. The application of the pronouncements is further discussed in Note 41.

2.20 Foreign currency transactions

In preparing the financial statements of individual entities in the Group, transactions in currencies other than the entity's functional currency ("foreign currencies") are translated to the functional currencies at rates of exchange ruling on the transaction dates.

Monetary assets and liabilities denominated in foreign currencies at the reporting date have been retranslated to the functional currency at rates ruling on the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies, which are measured at fair value, are retranslated to the functional currency at the foreign exchange rates ruling at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Gains and losses on exchange arising from retranslation are recognised in the profit or loss, except for differences arising on the retranslation of equity instruments at fair value through other comprehensive income, which are recognised in equity and are never reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.20 Foreign currency transactions (continued)

On consolidation, the assets and liabilities of subsidiaries with functional currencies other than Ringgit Malaysia, are translated into Ringgit Malaysia at the exchange rates ruling at reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 April 2011 pursuant to the election of transitional exemptions of MFRS 1 *First-time Adoption of Malaysia Financial Reporting Standards,* which are stated at the previously-translated carrying amounts and are not subsequently retranslated in the Group's financial statements.

The income and expenses are translated at the exchange rates at the dates of the transactions or an average rate that approximates those rates. Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve within equity.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to the Group's foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in a foreign operation and are reclassified to other comprehensive income and accumulated under foreign currency translation reserve in equity. Upon disposal of the investment, the cumulative exchange differences previously recorded in equity are reclassified to the consolidated profit or loss.

2.21 Borrowing costs and foreign currency exchange differences relating to projects-in-progress

Borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be prepared for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the assets is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are completed.

Exchange differences arising from foreign currency borrowings, although regarded as an adjustment to borrowing costs, are not capitalised but instead recognised in the profit or loss in the period in which they arise.

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of financing a specific qualifying asset, in which the actual borrowing cost incurred on that borrowing less any investment income on the temporary investment of that borrowings, will be capitalised. Borrowing costs incurred subsequent to the completion of a specific qualifying asset are also included in the determination of the capitalisation rate.

2.22 Revenue

Revenue from contracts with customers

Revenue from contracts with customers is measured based on the consideration specified in contracts with customers and exclude amounts collected on behalf of third parties. Revenue contract that do not contain a significant financing component or if the period between performance and payment is 1 year or less under practical expedient of MFRS 15 *Revenue from Contracts with Customer*s are measured at the transaction price determined under MFRS 15.

Where a contract contain significant financing component, the Group adjust the contract amount for the effects of the time value of money to reflect financing transaction between the Group and its customer at contract inception.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.22 Revenue (continued)

Revenue from contracts with customers (continued)

The Group and the Company recognise revenue from sales of oil and gas products namely petroleum products, crude oil and condensates, liquefied natural gas, natural gas, processed gas and petrochemical products when or as it transfers control over a product or service to the customer. An asset is transferred when or as the customer obtains control of the asset.

An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; or

(b) the entity's performance creates or enhances an asset (for example, work-in-progress) that the customer controls as the asset is created or enhanced; or

(c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time in accordance with the above criteria, an entity satisfies the performance obligation and recognises revenue at a point in time.

Revenue arising from shipping activities is mainly from freight income and charter income. Freight income and the relevant discharged costs of cargoes loaded onto vessels up to the reporting date are accrued for in the profit or loss based on percentage of completion method. Charter income is accrued on a straight-line basis over the period of the contract, as service is performed.

Revenue arising from construction contract is recognised progressively based on percentage of completion method.

Other revenue

Revenue arising from rental income of investment properties under operating lease is recognised on a straight-line basis over the term of the lease under the lease arrangement per Note 2.7.

Revenue arising from assets yielding interest and profit share margin from Islamic financing facilities are recognised on a time proportion basis that takes into account the effective yield on the assets.

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

Revenue arising from trading activities, where forward and future sale and purchase contracts have been determined to be for trading purposes, the associated sales and purchases are reported as net trading gain/(loss) within sales.

Net trading gain/(loss)

Physically settled sale and purchase contracts that represent trading or optimisation activities meets the definition of financial instruments as per MFRS 9. Derivative contracts entered into by the Group as part of its trading activities are recognised in the financial statements on the date of trade and presented as net trading gain/(loss) in other revenue which includes realised gains/(losses) on all settled contracts. All open contracts at reporting date are measured at fair value and unrealised gains and losses are also recognised within the net trading gain/(loss). Physically settled sale and purchase which are not part of trading and optimisation activities are presented at gross within revenue and cost of revenue respectively. Certain comparative figures are restated to conform with current year presentation.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.23 Financing costs

Financing costs comprise interest payable on borrowings and profit share margin on Islamic financing facilities, as well as accretion in provision due to the passage of time.

All interests and other costs incurred in connection with borrowings are expensed as incurred, other than that capitalised in accordance with the accounting policy stated in Note 2.21. The interest component of finance lease payments is accounted for in accordance with the policy set out in Note 2.7.

2.24 Operating segments

An operating segment is a component of the Group and of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's and the Company's other components, and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the PETRONAS Executive Leadership Team, to make decisions about resources to be allocated to the segment and to assess its performance.

2.25 Fair value measurement

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(i) Financial instruments

The fair value of financial instruments that are actively traded in organised financial markets are determined by reference to quoted market prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

(ii) Non-financial assets

For non-financial assets, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable input).

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

2. MATERIAL ACCOUNTING POLICIES (continued)

2.26 Government grants

Government grants related to assets, including non-monetary grants at fair value, are deducted against the construction cost of the assets. Subsequently, the grants are recognised in profit or loss on a systematic basis over the life of the assets as a reduced depreciation expense.

2.27 Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

Ordinary shares

Ordinary shares are classified as equity.

Preference shares

Preference shares are classified as equity when it is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distribution within equity.

Preference shares are classified as financial liabilities if it is redeemable on a specific date or at the option of the equity holders, or if dividend payment is not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

2.28 Insurance contracts

Insurance contracts are contracts under which the Group and the Company accept significant insurance risk by agreeing to compensate a third party if a specified uncertain future event adversely affects the guaranteed party.

In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Group and the Company use judgment to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Group and the Company have the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant. The Group and the Company measure insurance contracts as the total of the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated risks, if any, recognise as provision in the statement of financial position.

Subsequently, the liability for remaining coverage period is remeasured to reflect the changes of facts and circumstances, and the Group and the Company recognise loss in profit or loss for the fulfilment of cash flows for incurred claims and expenses, if any.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

3. PROPERTY, PLANT AND EQUIPMENT

Group **2023** ***In RM Mil***	**At 1.1.2023**	**Additions**	**Disposals/ Write-offs**
At cost:			
Own use			
Freehold land	2,739	45	(4)
Oil and gas properties	378,869	8,561	(14,105)
Buildings	24,030	125	(130)
Plant and equipment	201,502	2,815	(688)
Office equipment, furniture and fittings	4,303	157	(42)
Computer software and hardware	5,790	173	(62)
Motor vehicles	347	75	(38)
Vessels	10,806	122	(754)
Projects-in-progress			
– oil and gas properties	25,404	10,223	(1,487)
– other projects*	40,474	19,173	(108)
	694,264	41,469	(17,418)
Leased to others as operating lease			
Buildings	309	–	–
Vessels	37,508	218	(240)
Plant and equipment	326	1	–
	38,143	219	(240)
Right-of-use			
Leasehold land	10,045	82	(3)
Lease properties	254	1	(25)
Oil and gas properties	5,869	1,577	–
Buildings	1,572	269	(34)
Plant and equipment	3,510	152	(107)
Computer software and hardware	18	1	(1)
Motor vehicles	349	47	(18)
Vessels	9,537	2,240	(746)
	31,154	4,369	(934)
	763,561	[a]46,057	[b](18,592)

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* Other projects-in-progress are mainly in relation to plant and equipment and vessels.

[a] Includes addition to future cost of decommissioning and restoration amounting to RM2,587 million.
[b] Includes oil and gas properties written off upon cessation of operation.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2023 *In RM Mil*	Acquisition of subsidiaries	Transfers/ Reclassifications/ Adjustments	Translation exchange difference	At 31.12.2023
At cost:				
Own use				
Freehold land	14	21	24	2,839
Oil and gas properties	–	14,393	8,869	396,587
Buildings	321	16	245	24,607
Plant and equipment	1,537	5,572	4,400	215,138
Office equipment, furniture and fittings	2	(72)	37	4,385
Computer software and hardware	1	273	143	6,318
Motor vehicles	47	(1)	3	433
Vessels	–	–	637	10,811
Projects-in-progress				
– oil and gas properties	–	(3,151)	336	31,325
– other projects*	–	(8,844)	1,288	51,983
	1,922	8,207	15,982	744,426
Leased to others as operating lease				
Buildings	–	–	–	309
Vessels	–	2,864	1,057	41,407
Plant and equipment	–	–	–	327
	–	2,864	1,057	42,043
Right-of-use				
Leasehold land	45	17	38	10,224
Lease properties	–	6	1	237
Oil and gas properties	–	–	56	7,502
Buildings	7	9	86	1,909
Plant and equipment	–	19	74	3,648
Computer software and hardware	–	–	1	19
Motor vehicles	–	5	7	390
Vessels	–	–	529	11,560
	52	56	792	35,489
	[a]1,974	[b,c,d]11,127	17,831	821,958

continued from previous page

* Other projects-in-progress are mainly in relation to plant and equipment and vessels.

[a] The cost including fair value adjustment of subsidiaries' property, plant and equipment acquired during the year is separately presented from accumulated depreciation. Refer to Note 32 for presentation of fair value of the subsidiaries' assets acquired.
[b] Includes upward revision to future cost of decommissioning and restoration amounting to RM9,163 million.
[c] Includes upward adjustments to right-of-use assets following lease modification in accordance to MFRS 16 *Leases* amounting to RM204 million.
[d] Includes net transfers in of RM1,760 million comprising transfer in from intangible assets of RM1,966 million offset by transfer out to inventories of RM141 million, assets classified as held for sale of RM60 million and investment properties of RM5 million.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2023 *In RM Mil*	At 1.1.2023	Charge for the year	Disposals/ Write-offs	Acquisition of subsidiaries
Accumulated depreciation and impairment losses:				
Own use				
Freehold land	3	–	–	–
Oil and gas properties	282,412	20,652	(10,213)	–
Buildings	10,435	601	(11)	–
Plant and equipment	119,495	8,180	(403)	365
Office equipment, furniture and fittings	3,333	91	(40)	1
Computer software and hardware	4,225	452	(47)	–
Motor vehicles	269	31	(14)	8
Vessels	3,476	881	(746)	–
Projects-in-progress				
– oil and gas properties	3,000	–	–	–
– other projects*	2,955	–	–	–
	429,603	30,888	(11,474)	374
Leased to others as operating lease				
Buildings	13	7	–	3
Vessels	20,452	1,355	(184)	–
Plant and equipment	21	12	–	–
	20,486	1,374	(184)	3
Right-of-use				
Leasehold land	2,568	174	–	6
Lease properties	22	1	(16)	–
Oil and gas properties	4,297	1,220	–	–
Buildings	748	220	(31)	–
Plant and equipment	2,164	243	(68)	–
Computer software and hardware	15	3	(1)	–
Motor vehicles	196	66	(19)	–
Vessels	2,244	1,255	(745)	–
	12,254	3,182	(880)	6
	462,343	35,444	[a](12,538)	[b]383

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* Other projects-in-progress are mainly in relation to plant and equipment and vessels.

[a] Includes oil and gas properties written off upon cessation of operation.
[b] The cost including fair value adjustment of subsidiaries' property, plant and equipment acquired during the year is separately presented from accumulated depreciation. Refer to Note 32 for presentation of fair value of the subsidiaries' assets acquired.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2023 *In RM Mil*	Impairment (reversals)/ losses	Transfers/ Reclassifications/ Adjustments	Translation exchange difference	At 31.12.2023
Accumulated depreciation and impairment losses:				
Own use				
Freehold land	–	(3)	–	–
Oil and gas properties	(52)	–	6,216	299,015
Buildings	77	12	179	11,293
Plant and equipment	20	(18)	3,017	130,656
Office equipment, furniture and fittings	–	–	38	3,423
Computer software and hardware	3	4	56	4,693
Motor vehicles	–	(3)	9	300
Vessels	81	–	621	4,313
Projects-in-progress				
– oil and gas properties	(1,140)	–	46	1,906
– other projects*	35	–	25	3,015
	(976)	(8)	10,207	458,614
Leased to others as operating lease				
Buildings	–	–	–	23
Vessels	13	–	405	22,041
Plant and equipment	–	–	–	33
	13	–	405	22,097
Right-of-use				
Leasehold land	60	3	3	2,814
Lease properties	6	–	1	14
Oil and gas properties	–	–	34	5,551
Buildings	–	–	31	968
Plant and equipment	–	–	19	2,358
Computer software and hardware	–	–	2	19
Motor vehicles	–	3	5	251
Vessels	–	–	120	2,874
	66	6	215	14,849
	(897)	[a](2)	10,827	495,560

continued from previous page

* Other projects-in-progress are mainly in relation to plant and equipment and vessels.

[a] Includes transfer out to investment properties of RM2 million.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2022 *In RM Mil*	At 1.1.2022	Additions	Disposals/ Write-offs
At cost:			
Own use			
Freehold land	2,697	51	(1)
Oil and gas properties	352,038	8,563	(3,541)
Buildings	24,537	121	(58)
Plant and equipment	192,176	758	(1,214)
Office equipment, furniture and fittings	4,304	98	(126)
Computer software and hardware	5,862	160	(147)
Motor vehicles	460	14	(26)
Vessels	9,674	234	(207)
Projects-in-progress			
– oil and gas properties	23,137	12,709	(334)
– other projects*	33,803	14,129	(198)
	648,688	36,837	(5,852)
Leased to others as operating lease			
Buildings	216	3	–
Vessels	33,497	216	(865)
Plant and equipment	309	–	–
	34,022	219	(865)
Right-of-use			
Leasehold land	10,127	27	(10)
Lease properties	335	1	–
Oil and gas properties	5,485	1,170	(18)
Buildings	1,459	230	(75)
Plant and equipment	3,354	150	(20)
Computer software and hardware	27	1	(13)
Motor vehicles	348	43	(32)
Vessels	6,589	2,622	(712)
	27,724	4,244	(880)
	710,434	[a]41,300	(7,597)

continue to next page

* Other projects-in-progress are mainly in relation to plant and equipment and vessels.

[a] Includes addition to future cost of decommissioning and restoration amounting to RM1,161 million.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2022 *In RM Mil*	Acquisition of a subsidiary	Transfers/ Reclassifications/ Adjustments	Translation exchange difference	At 31.12.2022
At cost:				
Own use				
Freehold land	171	(186)	7	2,739
Oil and gas properties	–	14,361	7,448	378,869
Buildings	803	(1,460)	87	24,030
Plant and equipment	5,049	(369)	5,102	201,502
Office equipment, furniture and fittings	–	(2)	29	4,303
Computer software and hardware	170	(297)	42	5,790
Motor vehicles	–	(110)	9	347
Vessels	–	(742)	1,847	10,806
Projects-in-progress				
– oil and gas properties	–	(10,370)	262	25,404
– other projects*	787	(9,877)	1,830	40,474
	6,980	(9,052)	16,663	694,264
Leased to others as operating lease				
Buildings	–	90	–	309
Vessels	–	3,437	1,223	37,508
Plant and equipment	–	17	–	326
	–	3,544	1,223	38,143
Right-of-use				
Leasehold land	–	(99)	–	10,045
Lease properties	–	(82)	–	254
Oil and gas properties	–	(885)	117	5,869
Buildings	37	(117)	38	1,572
Plant and equipment	33	(55)	48	3,510
Computer software and hardware	3	–	–	18
Motor vehicles	18	(28)	–	349
Vessels	–	576	462	9,537
	91	(690)	665	31,154
	[a]7,071	[b,c,d](6,198)	18,551	763,561

continued from previous page

* Other projects-in-progress are mainly in relation to plant and equipment and vessels.

[a] The cost including fair value adjustment of a subsidiary's property, plant and equipment acquired during the year is separately presented from accumulated depreciation. Refer to Note 32 for presentation of fair value of the subsidiary's assets acquired.
[b] Includes net transfers out of RM3,630 million comprising transfer out to assets classified as held for sale of RM7,125 million offset by transfers in from intangible assets of RM3,323 million and investment properties of RM172 million.
[c] Includes downward revision to future cost of decommissioning and restoration amounting to RM2,527 million.
[d] Includes downward adjustments to right-of-use assets following lease modification in accordance with MFRS 16 *Leases* amounting to RM41 million.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2022 *In RM Mil*	At 1.1.2022	Charge for the year	Disposals/ Write-offs	Acquisition of a subsidiary
Accumulated depreciation and impairment losses:				
Own use				
Freehold land	–	–	–	3
Oil and gas properties	259,388	17,480	(3,446)	–
Buildings	10,245	621	(58)	381
Plant and equipment	112,522	7,909	(1,182)	2,736
Office equipment, furniture and fittings	3,200	265	(113)	–
Computer software and hardware	4,124	283	(9)	100
Motor vehicles	329	29	(24)	–
Vessels	2,300	1,061	(198)	–
Projects-in-progress				
– oil and gas properties	1,394	–	–	–
– other projects*	2,811	–	–	–
	396,313	27,648	(5,030)	3,220
Leased to others as operating lease				
Buildings	9	4	–	–
Vessels	19,265	1,199	(592)	–
Plant and equipment	14	7	–	–
	19,288	1,210	(592)	–
Right-of-use				
Leasehold land	2,390	176	–	–
Lease properties	79	2	–	–
Oil and gas properties	3,283	1,106	(15)	–
Buildings	667	204	(75)	24
Plant and equipment	1,920	241	(18)	19
Computer software and hardware	27	–	(13)	1
Motor vehicles	164	64	(29)	10
Vessels	1,690	748	(645)	–
	10,220	2,541	(795)	54
	425,821	31,399	(6,417)	[a]3,274

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* Other projects-in-progress are mainly in relation to plant and equipment and vessels.

[a] The cost including fair value adjustment of a subsidiary's property, plant and equipment acquired during the year is separately presented from accumulated depreciation. Refer to Note 32 for presentation of fair value of the subsidiary's assets acquired.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Group 2022 *In RM Mil*	Impairment (reversals)/ losses	Transfers/ Reclassifications/ Adjustments	Translation exchange difference	At 31.12.2022
Accumulated depreciation and impairment losses:				
Own use				
Freehold land	–	–	–	3
Oil and gas properties	(93)	2,906	6,177	282,412
Buildings	(30)	(777)	53	10,435
Plant and equipment	(2,549)	(2,909)	2,968	119,495
Office equipment, furniture and fittings	–	(47)	28	3,333
Computer software and hardware	(2)	(323)	52	4,225
Motor vehicles	–	(69)	4	269
Vessels	204	(565)	674	3,476
Projects-in-progress				
– oil and gas properties	1,559	1	46	3,000
– other projects*	6	–	138	2,955
	(905)	(1,783)	10,140	429,603
Leased to others as operating lease				
Buildings	–	–	–	13
Vessels	94	–	486	20,452
Plant and equipment	–	–	–	21
	94	–	486	20,486
Right-of-use				
Leasehold land	–	(6)	8	2,568
Lease properties	–	(59)	–	22
Oil and gas properties	–	(200)	123	4,297
Buildings	(74)	(14)	16	748
Plant and equipment	–	(14)	16	2,164
Computer software and hardware	–	–	–	15
Motor vehicles	–	(13)	–	196
Vessels	–	209	242	2,244
	(74)	(97)	405	12,254
	(885)	[a](1,880)	11,031	462,343

continued from previous page

* Other projects-in-progress are mainly in relation to plant and equipment and vessels.

[a] Includes net transfers out of RM1,880 million comprising transfer out to asset classified as held for sale of RM1,892 million offset by transfers in from investment properties RM12 million.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2023 *In RM Mil*	At 1.1.2023	Additions	Disposals/ Write-offs
At cost:			
Own use			
Oil and gas properties	**30,625**	**183**	**(6,585)**
Buildings	**293**	**–**	**–**
Plant and equipment	**21**	**–**	**–**
Office equipment, furniture and fittings	**104**	**2**	**–**
Computer software and hardware	**475**	**2**	**(9)**
Motor vehicles	**15**	**1**	**–**
Projects-in-progress			
– oil and gas properties	**47**	**88**	**–**
– other projects*	**2,252**	**608**	**(80)**
	33,832	**884**	**(6,674)**
Right-of-use			
Leasehold land	**353**	**–**	**–**
Buildings	**6,827**	**351**	**–**
Plant and equipment	**1,485**	**–**	**–**
	8,665	**351**	**–**
	42,497	**[a,b]1,235**	**[c](6,674)**

continue to next page

* Other projects-in-progress are mainly in relation to plant and equipment.

[a] Includes addition to future cost of decommissioning and restoration amounting to RM161 million.
[b] Includes upward adjustments to right-of-use assets following lease modification in accordance with MFRS 16 *Leases* amounting to RM188 million and addition of new right-of-use asset amounting to RM163 million.
[c] Includes oil and gas properties written off upon cessation of operation.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2023 *In RM Mil*	Transfers/ Adjustments	At 31.12.2023
At cost:		
Own use		
Oil and gas properties	5,877	30,100
Buildings	–	293
Plant and equipment	–	21
Office equipment, furniture and fittings	–	106
Computer software and hardware	9	477
Motor vehicles	–	16
Projects-in-progress		
- oil and gas properties	(77)	58
- other projects*	(1,732)	1,048
	4,077	32,119
Right-of-use		
Leasehold land	2	355
Buildings	–	7,178
Plant and equipment	–	1,485
	2	9,018
	[a,b,c]4,079	41,137

continued from previous page

* Other projects-in-progress are mainly in relation to plant and equipment.

[a] Includes upward revision to future cost of decommissioning and restoration amounting to RM5,801 million.
[b] Includes net transfers out of RM1,720 million comprising transfers to subsidiaries of RM1,317 million and intangible assets of RM262 million and reclassification to profit or loss of RM141 million.
[c] Includes downward revision of oil and gas properties cost amounting to RM2 million.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2023 *In RM Mil*	At 1.1.2023	Charge for the year	Impairment reversals
Accumulated depreciation and impairment losses:			
Own use			
Oil and gas properties	22,692	2,303	(1,988)
Buildings	59	5	–
Plant and equipment	12	3	–
Office equipment, furniture and fittings	89	3	–
Computer software and hardware	438	21	–
Motor vehicles	10	2	–
Projects-in-progress			
– oil and gas properties	–	–	–
– other projects*	–	–	–
	23,300	2,337	(1,988)
Right-of-use			
Leasehold land	50	6	–
Buildings	1,386	319	–
Plant and equipment	1,268	72	–
	2,704	397	–
	26,004	2,734	(1,988)

continue to next page

* Other projects-in-progress are mainly in relation to plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company **2023** *In RM Mil*	**Disposals/ Write-offs**	**At 31.12.2023**
Accumulated depreciation and impairment losses:		
Own use		
Oil and gas properties	**(2,182)**	**20,825**
Buildings	**–**	**64**
Plant and equipment	**–**	**15**
Office equipment, furniture and fittings	**–**	**92**
Computer software and hardware	**(5)**	**454**
Motor vehicles	**–**	**12**
Projects-in-progress		
– oil and gas properties	**–**	**–**
– other projects*	**–**	**–**
	(2,187)	**21,462**
Right-of-use		
Leasehold land	**–**	**56**
Buildings	**–**	**1,705**
Plant and equipment	**–**	**1,340**
	–	**3,101**
	[a](2,187)	**24,563**

continued from previous page

* Other projects-in-progress are mainly in relation to plant and equipment.

[a] Includes oil and gas properties written off upon cessation of operation

PETRONAS Audited Financial Statements 2023

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company **2022** *In RM Mil*	**At 1.1.2022**	**Additions**	**Disposals/ Write-offs**
At cost:			
Own use			
Oil and gas properties	30,897	165	(361)
Buildings	298	–	–
Plant and equipment	21	–	–
Office equipment, furniture and fittings	102	3	(1)
Computer software and hardware	495	–	(25)
Motor vehicles	16	2	(3)
Projects-in-progress			
– oil and gas properties	–	47	–
– other projects*	1,106	1,829	–
	32,935	2,046	(390)
Right-of-use			
Leasehold land	349	4	–
Buildings	6,573	254	–
Plant and equipment	1,485	–	–
	8,407	258	–
	41,342	[a,b]2,304	[c](390)

continue to next page

* Other projects-in-progress are mainly in relation to plant and equipment.

[a] Includes addition to future cost of decommissioning and restoration amounting to RM161 million.
[b] Includes upward adjustments to right-of-use assets following lease modification in accordance with MFRS 16 *Leases* amounting to RM91 million and addition of new right-of-use asset amounting to RM163 million.
[c] Includes oil and gas properties disposed upon decommissioning.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2022 *In RM Mil*	**Transfers/ Reclassifications/ Adjustments**	**At 31.12.2022**
At cost:		
Own use		
Oil and gas properties	(76)	30,625
Buildings	(5)	293
Plant and equipment	–	21
Office equipment, furniture and fittings	–	104
Computer software and hardware	5	475
Motor vehicles	–	15
Projects-in-progress		
- oil and gas properties	–	47
- other projects*	(683)	2,252
	(759)	33,832
Right-of-use		
Leasehold land	–	353
Buildings	–	6,827
Plant and equipment	–	1,485
	–	8,665
	[a,b,c](759)	42,497

continued from previous page

* Other projects-in-progress are mainly in relation to plant and equipment.

[a] Includes downward revision to future cost of decommissioning and restoration amounting to RM76 million.
[b] Includes net transfers out of RM678 million comprising transfers to subsidiaries of RM494 million and intangible assets of RM64 million and reclassification to profit or loss of RM120 million.
[c] Includes downwards revision of building cost amounting to RM5 million.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company 2022 *In RM Mil*	**At 1.1.2022**	**Charge for the year**
Accumulated depreciation and impairment losses:		
Own use		
Oil and gas properties	21,897	1,156
Buildings	55	4
Plant and equipment	9	3
Office equipment, furniture and fittings	87	3
Computer software and hardware	434	29
Motor vehicles	12	1
Projects-in-progress		
– oil and gas properties	–	–
– other projects*	–	–
	22,494	1,196
Right-of-use		
Leasehold land	43	7
Buildings	1,086	300
Plant and equipment	1,160	108
	2,289	415
	24,783	1,611

continue to next page

* Other projects-in-progress are mainly in relation to plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Company **2022** *In RM Mil*	**Disposals/ Write-offs**	**At 31.12.2022**
Accumulated depreciation and impairment losses:		
Own use		
Oil and gas properties	(361)	22,692
Buildings	–	59
Plant and equipment	–	12
Office equipment, furniture and fittings	(1)	89
Computer software and hardware	(25)	438
Motor vehicles	(3)	10
Projects-in-progress		
– oil and gas properties	–	–
– other projects*	–	–
	(390)	23,300
Right-of-use		
Leasehold land	–	50
Buildings	–	1,386
Plant and equipment	–	1,268
	–	2,704
	[a](390)	26,004

continued from previous page

* Other projects-in-progress are mainly in relation to plant and equipment.

[a] Includes oil and gas properties written off upon cessation of operation.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	Group		Company	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Carrying amount				
Own use				
Freehold land	**2,839**	2,736	**–**	–
Oil and gas properties	**97,572**	96,457	**9,275**	7,933
Buildings	**13,314**	13,595	**229**	234
Plant and equipment	**84,482**	82,007	**6**	9
Office equipment, furniture and fittings	**962**	970	**14**	15
Computer software and hardware	**1,625**	1,565	**23**	37
Motor vehicles	**133**	78	**4**	5
Vessels	**6,498**	7,330	**–**	–
Projects-in-progress				
– oil and gas properties	**29,419**	22,404	**58**	47
– other projects	**48,968**	37,519	**1,048**	2,252
	285,812	264,661	**10,657**	10,532
Leased to others as operating lease				
Buildings	**286**	296	**–**	–
Vessels	**19,366**	17,056	**–**	–
Plant and equipment	**294**	305	**–**	–
	19,946	17,657	**–**	–
Right-of-use				
Leasehold land	**7,410**	7,477	**299**	303
Lease properties	**223**	232	**–**	–
Oil and gas properties	**1,951**	1,572	**–**	–
Buildings	**941**	824	**5,473**	5,441
Plant and equipment	**1,290**	1,346	**145**	217
Computer software and hardware	**–**	3	**–**	–
Motor vehicles	**139**	153	**–**	–
Vessels	**8,686**	7,293	**–**	–
	20,640	18,900	**5,917**	5,961
	326,398	301,218	**16,574**	16,493

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.1 As a lessee

Right-of-use assets

Depreciation of right-of-use assets

In RM Mil	Group 2023	Group 2022	Company 2023	Company 2022
Capitalised in property, plant and equipment	**269**	117	**–**	–
Capitalised in exploration expenditure	**320**	–	**–**	–
Total depreciation capitalised into other assets	**589**	117	**–**	–
Recognised in profit or loss	**2,593**	2,424	**397**	415
Total depreciation	**3,182**	2,541	**397**	415

Extension options

Some lease contracts contain extension options exercisable only by the Group and the Company before the end of the non-cancellable contract period. Where practicable, the Group and the Company include extension options in lease contracts to provide operational flexibility. The discounted potential future lease payments arising from exercisable extension options has been included in the lease liabilities except for when the extension terms are uncertain as the Group is finalising the extension terms as at reporting date.

Significant judgments and assumptions in relation to leases

The Group and the Company assess at lease commencement by applying significant judgments whether it is reasonably certain to exercise the extension options. The Group and the Company consider all facts and circumstances including past practice and any cost that will be incurred to change the asset if an option to extend is not exercised.

The Group and the Company also applied judgments and assumptions in determining the incremental borrowing rate of the respective leases. The Group and the Company first determine the closest available borrowing rates before using significant judgments to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

3.2 As a lessor

Property, plant and equipment leased to others as operating lease

The following are recognised in the profit or loss:

In RM Mil	Group 2023	Group 2022
Lease income	**3,577**	2,551

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.2 As a lessor (continued)

Property, plant and equipment leased to others as operating lease (continued)

The operating lease payments to be received are as follows:

In RM Mil	Group 2023	Group 2022
Less than one year	**2,566**	2,103
One to five years	**6,678**	6,872
More than five years	**3,694**	4,422
Total undiscounted lease payments	**12,938**	13,397

3.3 Security

Property, plant and equipment of certain subsidiaries with carrying amount of RM15,808 million (2022: RM14,567 million) have been pledged as security for loan facilities as set out in Note 21 and Note 22 to the financial statements.

3.4 Projects-in-progress

Included in additions to projects-in-progress of the Group are borrowing costs of RM1,813 million which had been capitalised during the year (2022: RM1,248 million) and capitalisation of depreciation charge for the year in respect of right-of-use assets amounting to RM589 million (2022: RM117 million). The interest rate on borrowing costs capitalised ranges from 2.3% to 5.8% (2022: 2.2% to 7.2%) per annum.

3.5 Restriction of land title

The titles to certain freehold and leasehold land are in the process of being registered in the subsidiaries' name. Certain long-term leasehold land of the Group and the Company cannot be disposed of, charged or sub-leased without the prior consent of the relevant authority.

3.6 Change in estimates

During the year, the Group and the Company revised the estimated future cost of decommissioning of oil and gas properties and other property, plant and equipment. The revision was accounted for prospectively as a change in accounting estimates resulting in an increase in cost of property, plant and equipment of the Group and the Company by RM9,163 million (2022: decrease by RM2,527 million) and RM5,801 million (2022: decrease by RM76 million) respectively (refer Note 23).

3.7 Estimation of oil and gas reserves

Oil and gas reserves are key elements in the Group's and the Company's investment decision-making process. Reserves estimation principles and methodologies are based on globally recognised industry standards, such as the Petroleum Resources Management System developed by the Society of Petroleum Engineers.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3.7 Estimation of oil and gas reserves (continued)

The term "reserves" describes quantities of oil and gas volumes anticipated to be commercially recoverable by application of development projects to known accumulations given the prevailing economic situation present at the time of estimation. The reserves can be characterised into developed and undeveloped based on their development and production status. Developed reserves are quantities expected to be recovered from existing and operating wells and facilities. Undeveloped reserves are quantities expected to be recovered through future significant investments, which have been sanctioned and approved, and remain so until production commences when they would be characterised as developed reserves.

Estimation of reserves is reviewed annually. These estimates are inherently imprecise, require the application of judgments and are subject to regular revision, either upward or downward, based on new information available such as new geological information gathered from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans.

Such revisions will impact the Group's and the Company's reported financial position and results which include:

(i) carrying value of oil and gas properties and their corresponding amortisation charges;
(ii) carrying value of projects-in-progress;
(iii) provisions for decommissioning and restoration; and
(iv) carrying value of deferred tax assets/liabilities.

3.8 Impairment review of property, plant and equipment

For the financial year ended 31 December 2023, the Group recognised net impairment losses[1] on certain property, plant and equipment amounting to RM407 million (2022: net impairment reversals of RM830 million) mainly in relation to property, logistic and maritime segments following unfavourable changes in economic outlook.

In arriving at the net impairment losses amounts, the carrying amount of each impaired cash-generating unit are compared with the recoverable amount of the cash-generating unit. The impairment reversals are limited only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The Group's recoverable amount for the relevant impairment losses/reversals during the year of RM1,431 million (2022: RM16,474 million) were determined from the value in use calculations using cash flow projections and fair value less costs to sell.

The Group and the Company use a range of long-term assumptions including prices, volumes, margins and costs based on past performance and management's expectations of market development. The projected cash flows were discounted using discount rates ranging between 7.6% and 8.0% (2022: 7.6% and 8.0%).

Price assumptions

Price assumptions applied for impairment testing are reviewed on an annual basis. Reviews include comparison with available market data and forecasts that reflect fundamental developments in global demand and supply. The real term of average Brent price applied in impairment testing scenarios in 2023 were as follows:

Average price assumptions	**2024-2028**	**>2028**
Brent (USD/bbl)	75	65

[1] Excludes amount of write-back for subsequent write-off of RM1,304 million.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

4. INVESTMENT PROPERTIES

Group 2023 *In RM Mil*	**At 1.1.2023**	**Additions**	**Disposals**
At cost:			
Freehold land	**1,467**	**–**	**(2)**
Leasehold land	**973**	**–**	**–**
Buildings	**13,505**	**5**	**(259)**
Projects-in-progress	**1,982**	**336**	**–**
	17,927	**341**	**(261)**

continue to next page

	At 1.1.2023	**Charge for the year**	**Disposals**	**Impairment losses**
Accumulated depreciation and impairment losses:				
Buildings	**8,283**	**499**	**(246)**	**15**
Projects-in-progress	**–**	**–**	**–**	**72**
	8,283	**499**	**(246)**	**87**

continue to next page

Group 2022 *In RM Mil*	**At 1.1.2022**	**Additions**	**Disposals**
At cost:			
Freehold land	1,468	–	(1)
Leasehold land	993	–	–
Buildings	13,616	23	(34)
Projects-in-progress	1,860	170	–
	17,937	193	(35)

continue to next page

	At 1.1.2022	**Charge for the year**	**Disposals**	**Impairment losses**
Accumulated depreciation and impairment losses:				
Buildings	7,768	509	(14)	15

continue to next page

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

4. INVESTMENT PROPERTIES (continued)

Group 2023 *In RM Mil*	Transfers	Translation exchange difference	At 31.12.2023
At cost:			
Freehold land	**–**	**–**	**1,465**
Leasehold land	**–**	**–**	**973**
Buildings	**17**	**16**	**13,284**
Projects-in-progress	**(16)**	**–**	**2,302**
	[a]1	**16**	**18,024**

continued from previous page

	Transfers	Translation exchange difference	At 31.12.2023
Accumulated depreciation and impairment losses:			
Buildings	**2**	**11**	**8,564**
Projects-in-progress	**–**	**–**	**72**
	[b]2	**11**	**8,636**

continued from previous page

Group 2022 *In RM Mil*	Transfers	Translation exchange difference	At 31.12.2022
At cost:			
Freehold land	–	–	1,467
Leasehold land	(20)	–	973
Buildings	(122)	22	13,505
Projects-in-progress	(48)	–	1,982
	[c](190)	22	17,927

continued from previous page

	Transfers	Translation exchange difference	At 31.12.2022
Accumulated depreciation and impairment losses:			
Buildings	[d](14)	19	8,283

continued from previous page

[a] Includes net transfer in from property, plant and equipment of RM5 million, offset by the transfer out to asset held for sale of RM2 million and transfer out to other receivables of RM2 million.
[b] Includes net transfer in from property, plant and equipment of RM2 million.
[c] Includes net transfer out to property, plant and equipment of RM172 million and assets classified as held for sale of RM18 million.
[d] Includes net transfer out to property, plant and equipment of RM12 million and assets classified as held for sale of RM2 million.

4. INVESTMENT PROPERTIES (continued)

Group *In RM Mil*	Carrying amount 2023	2022
Freehold land	**1,465**	1,467
Leasehold land	**973**	973
Buildings	**4,720**	5,222
Projects-in-progress	**2,230**	1,982
	9,388	9,644

Fair value information

The Directors of the subsidiaries have estimated the fair value of investment properties as at 31 December 2023 to be RM16,645 million (2022: RM17,425 million).

The fair value of investment properties are categorised as follows:

Group *In RM Mil*	Level 3 2023	2022
Freehold land	**1,778**	1,771
Leasehold land	**1,005**	1,000
Buildings	**13,862**	14,654
	16,645	17,425

The Group uses various valuation techniques in determining the fair value of its investment properties. Such techniques include discounted cash flows method, investment method, residual method and market comparable method.

Leases as lessor

The Group via its subsidiary has entered into non-cancellable operating lease agreements for Government Office Buildings ("GOB") in accordance with the Concession Agreement ("CA") with the Government of Malaysia. Under the CA, the Group will construct various parcels of GOB on land belonging to the Government. Upon completion of each parcel, the Government will execute a 25-year lease agreement over the land of the said parcel to the Group. Simultaneously, the Group will sub-lease the same land and buildings to the Government for the same period in return for lease rentals based on predetermined rates per square foot per month.

The maturity analysis of the undiscounted lease payments receivables for the Group inclusive of GOB is as follows:

In RM Mil	Group 2023	2022
Less than one year	**1,725**	1,740
Between one and five years	**6,316**	7,114
More than five years	**2,217**	2,584
Total undiscounted lease payments	**10,258**	11,438

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

5. LAND HELD FOR DEVELOPMENT

Included in land held for development for the Group is freehold land amounting to RM2,734 million (2022: RM2,766 million).

6. INVESTMENTS IN SUBSIDIARIES

	Company	
In RM Mil	**2023**	**2022**
Investments at cost		
– quoted shares	**14,907**	14,907
– unquoted shares	**157,240**	146,066
Fair value adjustments on loans and advances and financial guarantee	**10,083**	9,904
	182,230	170,877
Less: Impairment losses		
– unquoted shares	**(17,800)**	(13,248)
	164,430	157,629
Market value of quoted shares	**85,164**	93,494

The increase in investment in subsidiaries mainly relates to the additional shares in existing subsidiaries.

Details of key subsidiaries are stated in Note 42 to the financial statements.

Impairment assessment of investments in subsidiaries

For the financial year ended 31 December 2023, the Company recognised net impairment losses amounting to RM4,552 million (2022: net impairment reversals of RM3,094 million) on the cost of investment in subsidiaries.

In calculating the recoverable amount, the Company uses a range of long-term assumptions including prices, volumes, margins and costs based on past performance and management's expectations of economic outlook. The projected cash flows were discounted using discount rate at range of 6.5% to 9.0% (2022: 5.98% to 8.00%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

7. INVESTMENTS IN ASSOCIATES

	Group		Company	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Investments at cost				
– quoted shares	**314**	314	**302**	302
– unquoted shares	**3,373**	3,127	**–**	–
Share of post-acquisition profits and reserves	**1,725**	1,673	**–**	–
	5,412	5,114	**302**	302
Less: Impairment losses				
– unquoted shares	**(2,493)**	(2,493)	**–**	–
	2,919	2,621	**302**	302
Market value of quoted shares	**1,312**	1,181	**674**	630

The Group's share of the current year losses and cumulative losses of certain associates amounting to RM108 million (2022: RM100 million) and RM416 million (2022: RM308 million) respectively have not been recognised in the Group's profit or loss as equity accounting has ceased when the Group's share of losses of these associates exceeded the carrying amount of its investment in these associates since the Group has no obligation in respect of the losses.

Summarised financial information has not been included as the associates are not individually material to the Group.

Details of key associates are stated in Note 43 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

8. INVESTMENTS IN JOINT VENTURES

	Group		Company	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Investments at cost				
– unquoted shares	**7,574**	5,552	**475**	475
Fair value adjustments on financial guarantee	**377**	377	**377**	377
Share of post-acquisition losses and reserves	**(487)**	(421)	**–**	–
	7,464	5,508	**852**	852
Less: Impairment losses	**(15)**	(15)	**(9)**	(9)
	7,449	5,493	**843**	843
Share of joint ventures' contingent liabilities:				
Claims filed by/disputes with various parties	**(29)**	(27)	**–**	–

The Group's share of the current year and cumulative losses of certain joint ventures amounting to RM4,044 million (2022: RM631 million) and RM5,321 million (2022: RM1,277 million) respectively have not been recognised in the Group's profit or loss as equity accounting has ceased when the Group's share of losses of these joint ventures exceeded the carrying amount of its investment in these joint ventures since the Group has no obligation in respect of the losses.

The shares of a joint venture are pledged as a security for an integrated borrowing structure undertaken by the joint venture with a joint operation entity as described in Note 21.

Summarised financial information has not been included as the joint ventures are not individually material to the Group.

Details of key joint ventures are stated in Note 44 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

9. INTANGIBLE ASSETS

Group **2023** *In RM Mil*	**At 1.1.2023**	**Additions**	**Disposals/ Write-offs**
At cost:			
Goodwill	**8,900**	**–**	**–**
Exploration expenditure	**15,796**	**7,159**	**(923)**
Other intangible assets	**51,296**	**1,841**	**(50)**
Projects-in-progress			
– other projects	**23**	**43**	**–**
	76,015	**9,043**	**[a](973)**

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	At 1.1.2023	**Charge for the year**	**Disposals/ Write-offs**	**Impairment losses**
Accumulated amortisation and impairment losses:				
Goodwill	**2,494**	**–**	**–**	**–**
Exploration expenditure	**8,848**	**–**	**(1)**	**555**
Other intangible assets	**38,413**	**2,417**	**(40)**	**50**
	49,755	**2,417**	**(41)**	**[a]605**

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Group **2022** *In RM Mil*	**At 1.1.2022**	**Additions**	**Disposals/ Write-offs**
At cost:			
Goodwill	6,545	–	–
Exploration expenditure	16,220	2,892	(812)
Other intangible assets	39,463	3,243	(26)
Projects-in-progress			
– other projects	20	8	–
	62,248	6,143	[a](838)

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	At 1.1.2022	**Charge for the year**	**Disposals/ Write-offs**	**Impairment losses**
Accumulated amortisation and impairment losses:				
Goodwill	1,376	–	–	1,283
Exploration expenditure	7,713	–	(12)	575
Other intangible assets	33,765	2,134	(15)	54
	42,854	2,134	(27)	[a]1,912

continue to next page

[a] Included in exploration expenditure is net impairment/write-off of well costs amounting to RM1,439 million (2022: RM1,363 million).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

9. INTANGIBLE ASSETS (continued)

Group 2023 *In RM Mil*	**Acquisition of subsidiaries**	**Transfers**	**Translation exchange difference**	**At 31.12.2023**
At cost:				
Goodwill	**519**	**–**	**593**	**10,012**
Exploration expenditure	**–**	**(1,778)**	**802**	**21,056**
Other intangible assets	**–**	**(168)**	**2,481**	**55,400**
Projects-in-progress				
– other projects	**–**	**(20)**	**–**	**46**
	519	**[a](1,966)**	**3,876**	**86,514**

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	Acquisition of subsidiaries	**Transfers**	**Translation exchange difference**	**At 31.12.2023**
Accumulated amortisation and impairment losses:				
Goodwill	**–**	**–**	**22**	**2,516**
Exploration expenditure	**–**	**–**	**143**	**9,545**
Other intangible assets	**–**	**–**	**1,711**	**42,551**
	–	**–**	**1,876**	**54,612**

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Group 2022 *In RM Mil*	**Acquisition of a subsidiary**	**Transfers**	**Translation exchange difference**	**At 31.12.2022**
At cost:				
Goodwill	2,885	(492)	(38)	8,900
Exploration expenditure	–	(3,382)	878	15,796
Other intangible assets	6,431	48	2,137	51,296
Projects-in-progress				
– other projects	–	(5)	–	23
	[b]9,316	[c](3,831)	2,977	76,015

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	Acquisition of a subsidiary	**Transfers**	**Translation exchange difference**	**At 31.12.2022**
Accumulated amortisation and impairment losses:				
Goodwill	–	(168)	3	2,494
Exploration expenditure	–	12	560	8,848
Other intangible assets	598	–	1,877	38,413
	[b]598	[c](156)	2,440	49,755

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Included in other intangible assets are fair value of trademarks, patents and know-how, customer relations and other intangibles arising from the acquisition of Perstorp Holding AB in the last financial year.

[a] Includes net transfers out to property, plant and equipment of RM1,966 million.
[b] The cost including fair value adjustment of a subsidiary's intangible assets acquired during the year is separately presented from accumulated depreciation. Refer to Note 32 for presentation of fair value of the subsidiary's assets acquired.
[c] Includes net transfers out to property, plant and equipment of RM3,323 million and assets classified as held for sale of RM352 million.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

9. INTANGIBLE ASSETS (continued)

Company 2023 *In RM Mil*	**At 1.1.2023**	**Additions**	**Transfers/ Adjustments**	**Write-offs**	**At 31.12.2023**
At cost:					
Other intangible assets	**114**	**4**	**277**	**–**	**395**
Projects-in-progress					
– other projects	**19**	**38**	**(16)**	**–**	**41**
	133	**42**	**[a]261**	**–**	**436**

	At 1.1.2023	**Charge for the year**	**Impairment reversals**	**At 31.12.2023**
Accumulated amortisation:				
Other intangible assets	**53**	**60**	**–**	**113**

Company 2022 *In RM Mil*	**At 1.1.2022**	**Additions**	**Transfers**	**Write-offs**	**At 31.12.2022**
At cost:					
Other intangible assets	61	–	64	(11)	114
Projects-in-progress					
– other projects	14	8	(3)	–	19
	75	8	[b]61	(11)	133

	At 1.1.2022	**Charge for the year**	**Impairment reversals**	**At 31.12.2022**
Accumulated amortisation:				
Other intangible assets	31	33	(11)	53

In RM Mil	**Group**		**Company**	
Carrying amount	**2023**	**2022**	**2023**	**2022**
Goodwill	**7,496**	6,406	**–**	–
Exploration expenditure	**11,511**	6,948	**–**	–
Other intangible assets	**12,849**	12,883	**282**	61
Projects-in-progress				
– other projects	**46**	23	**41**	19
	31,902	26,260	**323**	80

[a] Includes net transfer in of RM262 million from property, plant and equipment and downward revision of other intangible assets cost amounting to RM1 million.
[b] Includes net transfer in of RM64 million from property, plant and equipment and reclassification to profit or loss of RM3 million.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

9. INTANGIBLE ASSETS (continued)

Impairment review of goodwill

For the purpose of impairment testing, goodwill is allocated to groups of cash-generating units which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

In performing the impairment assessment for goodwill, the carrying amount of the cash-generating unit (including goodwill) is compared with the recoverable amount of the cash-generating unit. The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of any information about the fair value of a cash-generating unit, the value in use is deemed to be the recoverable amount.

Included in goodwill as at 31 December 2023 are the carrying amounts arising from the acquisitions of Perstorp Holding AB and PETRONAS Lubricants Italy S.p.A Group of RM3,283 million (2022: RM2,784 million) and RM1,851 million (2022: RM1,851 million) respectively.

Perstorp Holding AB ("Perstorp")

The recoverable amount of the cash-generating unit was based on fair value less costs to sell, which was estimated using income approach with the assistance of an independent valuer. The amount was determined by discounting the future cash flow incorporating current market expectations about the future.

The cash flow was projected based on plans and forecast approved by management for the next 10 years. For the period thereafter, a terminal value was calculated using perpetuity growth rate of 2.0% based on external macroeconomics and industry specific sources. The future cash flow was discounted using discount rate at about 8.6%.

Based on the assessment, the recoverable amount was determined to be higher than its carrying amount and therefore, no impairment loss was recognised.

The above estimates are sensitive in the following areas:

(i) An increase of 0.4 percentage point in discount rate used would have reduced the recoverable amount by approximately RM1,360 million.

(ii) A decrease of 0.5 percentage point in perpetuity growth rate used would have reduced the recoverable amount by approximately RM932 million.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

9. INTANGIBLE ASSETS (continued)

Impairment review of goodwill (continued)

PETRONAS Lubricants Italy S.p.A Group ("PLI Group")

The recoverable amount of the cash-generating unit was based on its value in use and was determined with the assistance of an independent valuer. The value in use was determined by using the discounted cash flow method based on management's business plan cash flow projections for 5 financial years from 2024 to 2028 (2022: 2023 to 2027), adjusted with an estimated terminal value. The cash flow assumes a long-term growth rate of 2.00% (2022: 2.00%) and is discounted to present value using discount rate of 9.10% (2022: 8.10%) for Lubricants division and 9.00% (2022: 8.40%) for Car Care division.

Based on the assessment, the recoverable amount was determined to be higher than its carrying amount and therefore, no impairment loss was recognised.

The above estimates are sensitive to the following factors:

(i) A decrease by 0.5 percentage point in long-term growth rate used would have decreased the recoverable amount by approximately RM194 million.

(ii) An increase by 0.5 percentage point in discount rate used would have decreased the recoverable amount by approximately RM255 million.

Other goodwill

The recoverable amount of the remaining goodwill was based on value in use, derived from the respective cash-generating units' business plan cash flow projection, adjusted with an estimated terminal value. The cash flows assume a long-term average growth rate of the respective industries those units are engaged in and are discounted to present value using discount rate of 7.20% to 8.50% (2022: 6.80% to 10.00%).

For impairment testing of goodwill relating to current year acquisition, the consideration paid represented the best evidence of the subsidiaries' fair value less cost to sell since there were no significant adverse events between the date of acquisition until the year end.

Based on the above, the recoverable amount of goodwill of the remaining units were determined to be higher than their carrying amount, thus no impairment loss was recognised during the year.

Impairment review of exploration expenditure

As at 31 December 2023, the Group recognised net impairment losses on certain exploration expenditure amounting to RM555 million (2022: RM575 million) related to oil and gas exploration cash-generating units and certain wells which are no longer capable of commercial development in accordance with the policy set out in Note 2.10.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

10. LONG-TERM RECEIVABLES

		Group		Company	
In RM Mil	Note	2023	2022	2023	2022
Term loans and advances:					
Loans and advances due from subsidiaries	10.1	**–**	–	**45,745**	48,553
Loans and advances due from associates and joint ventures	10.2	**9,699**	8,292	**7,557**	6,747
		9,699	8,292	**53,302**	55,300
Trade receivable from a subsidiary		**–**	–	**1,595**	1,677
Amount due from joint arrangements		**10,735**	7,414	**1,436**	123
Contract assets		**8,824**	6,676	**–**	–
Finance lease receivables	10.3	**11,939**	12,268	**–**	–
Other receivables and prepayments	10.4	**10,183**	7,922	**55,731**	31,637
Derivative financial assets	12	**776**	1,014	**–**	–
		52,156	43,586	**112,064**	88,737
Less: Allowance for impairment losses					
– Term loans and advances		**(1,266)**	(1,236)	**(116)**	(124)
– Trade receivable from a subsidiary		**–**	–	**(43)**	(42)
– Amounts due from joint arrangements		**(2,250)**	(701)	**(1,331)**	(11)
– Finance lease receivables		**(473)**	(261)	**–**	–
– Other receivables and prepayments		**(228)**	(261)	**(318)**	(290)
		47,939	41,127	**110,256**	88,270

10.1 The Company's loans and advances due from subsidiaries bear interest at rates ranging from 2.70% to 7.81% (2022: 2.70% to 7.43%) per annum.

10.2 The Group's and the Company's loans and advances due from associates and joint ventures bear interest at rates ranging from 5.5% to 7.3% (2022: 1.20% to 10.00%) and 7.33% (2022: 6.77%) per annum respectively.

10.3 Finance lease receivables

Finance lease receivables represent lease rental and interest receivable from customers in relation to the lease of offshore floating assets, buildings and pipelines entered by the subsidiaries of the Group.

The movement of long-term finance lease receivables during the financial year are as follows:

	Group	
In RM Mil	2023	2022
At 1 January	**12,268**	12,940
Additions	**200**	120
Interest income	**1,017**	975
Lease payments received	**(1,546)**	(1,767)
At 31 December	**11,939**	12,268

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

10. LONG-TERM RECEIVABLES (continued)

10.3 Finance lease receivables (continued)

The following table sets out the maturity analysis of the present value of lease receivables, showing the discounted lease payments to be received after the reporting date.

		Group	
In RM Mil	Note	2023	2022
Not later than 1 year		**1,255**	1,229
Later than 1 year and not later than 2 years		**1,116**	1,106
Later than 2 years and not later than 5 years		**3,403**	3,218
Later than 5 years		**7,420**	7,944
		13,194	13,497
Less: Allowance for impairment losses		**(473)**	(261)
		12,721	13,236
Analysed as:			
Due within 12 months	15	**1,255**	1,229
Due after 12 months		**11,466**	12,007
		12,721	13,236

The following table sets out the maturity analysis of lease receivables, showing undiscounted lease payments to be received after the reporting date.

	Group	
In RM Mil	2023	2022
Less than one year	**2,123**	2,197
One to two years	**1,912**	1,975
Two to three years	**1,977**	1,875
Three to four years	**1,880**	1,860
Four to five years	**1,861**	1,756
More than five years	**11,145**	12,396
Total undiscounted lease payments	**20,898**	22,059
Unearned interest income	**(7,704)**	(8,562)
	13,194	13,497

The effective interest rate of the Group's lease receivables are between 2.20% to 9.04% (2022: 2.20% to 9.40%). Included in minimum lease receivables are the estimated unguaranteed residual values of the leased assets of RM35 million (2022: RM31 million).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

10. LONG-TERM RECEIVABLES (continued)

10.4 Included in the Group's other receivables and prepayments is a concession arrangement entered into by a subsidiary of the Group with the Government of Malaysia to construct government buildings on a build-lease-maintain-transfer basis. The concession period is 28 years and 6 months commencing from the construction date.

Included in the Company's other receivables and prepayments are:

(i) abandonment cess contribution to the Abandonment Cess Fund, which is reimbursable to the Company upon execution of the abandonment of the oil and gas properties in accordance with the terms of the production sharing contracts ("PSCs") as described in Note 38. The amount of cess payable to the PSC Contractors is disclosed in Note 23; and

(ii) decarbonisation contribution to the Decarbonisation Fund, which is reimbursable to the Company upon request of qualifying project in connection with PETRONAS' decarbonisation and clean energy pursuits.

11. FUND AND OTHER INVESTMENTS

	Group		Company	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Non-current				
Fair value through profit or loss				
Unquoted shares	**130**	77	**–**	–
Quoted securities	**527**	–	**–**	–
	657	77	**–**	–
Fair value through other comprehensive income				
Quoted shares	**45**	184	**–**	–
Unquoted shares	**1,653**	1,164	**73**	73
	1,698	1,348	**73**	73
Amortised cost				
Corporate Bonds and Sukuk	**2,687**	–	**1,021**	–
Malaysian Government Securities	**5,736**	–	**2,775**	–
	8,423	–	**3,796**	–
Total non-current investments	**10,778**	1,425	**3,869**	73

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

11. FUND AND OTHER INVESTMENTS (continued)

	Group		Company	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Current				
Fair value through profit or loss				
Quoted shares	**2,014**	1,269	**204**	5
Corporate Bonds and Sukuk	**6,899**	7,862	**4,827**	5,275
Malaysian Government Securities	**2,085**	1,814	**1,667**	1,669
	10,998	10,945	**6,698**	6,949
Fair value through other comprehensive income				
Quoted shares	**122**	–	**–**	–
Amortised cost				
Unquoted securities	**500**	–	**–**	–
Total current investments	**11,620**	10,945	**6,698**	6,949
Total fund and other investments	**22,398**	12,370	**10,567**	7,022
Representing items:				
At amortised cost	**8,923**	–	**3,796**	–
At fair value	**13,475**	12,370	**6,771**	7,022
	22,398	12,370	**10,567**	7,022

Included in fund and other investments of the Group is an amount of RM6,335 million (2022: RM1,941 million) which is held for the purpose of future decommissioning activities of oil and gas properties.

Included in Corporate Bonds and Sukuk of the Company are securities issued by subsidiaries amounting to RM546 million (2022: RM562 million).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

12. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

		2023		2022	
In RM Mil	**Note**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Group					
Non-current					
Derivatives not designated as hedging instruments					
Forward foreign exchange contracts		**–**	**(4)**	–	(13)
Derivatives designated as hedging instruments					
Interest rate swaps		**717**	**(7)**	917	(7)
Forward foreign exchange contracts		**52**	**(2)**	97	(26)
Commodity derivatives		**7**	**–**	–	–
		776	**(9)**	1,014	(33)
Total non-current derivatives		**776**	**(13)**	1,014	(46)
Current					
Derivatives not designated as hedging instruments					
Forward foreign exchange contracts		**161**	**(104)**	96	(84)
Commodity derivatives		**617**	**(94)**	1,213	(424)
		778	**(198)**	1,309	(508)
Derivatives designated as hedging instruments					
Forward foreign exchange and other contracts		**62**	**(54)**	213	(61)
Commodity derivatives		**640**	**(100)**	1,385	–
		702	**(154)**	1,598	(61)
Total current derivatives		**1,480**	**(352)**	2,907	(569)
Total derivatives		**2,256**	**(365)**	3,921	(615)
Included within:					
Long-term receivables	10	**776**	**–**	1,014	–
Trade and other receivables	15	**1,480**	**–**	2,907	–
Other long-term liabilities and provisions	23	**–**	**(13)**	–	(46)
Trade and other payables	24	**–**	**(352)**	–	(569)
		2,256	**(365)**	3,921	(615)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

12. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (continued)

		2023		2022	
In RM Mil	**Note**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Company					
Current					
Derivatives not designated as hedging instruments					
Forward foreign exchange contracts		**151**	**(143)**	66	(78)
Derivatives designated as hedging instruments					
Commodity derivatives		**632**	**–**	626	–
Total derivatives		**783**	**(143)**	692	(78)
Included within:					
Trade and other receivables	15	**783**	**–**	692	–
Trade and other payables	24	**–**	**(143)**	–	(78)
		783	**(143)**	692	(78)

In the normal course of business, the Group and the Company enter into derivative financial instruments to manage their normal business exposures in relation to commodity prices, foreign currency exchange rates and interest rates, including management of the balance between floating rate and fixed rate debt, consistent with the risk management policies and objectives.

The Group and the Company apply hedge accounting whereby hedges meeting the criteria for hedge accounting are classified as cash flow hedges. The effective portion of the gain or loss on the hedging instruments is recognised directly in equity until the hedged transaction occurs, while the ineffective portion is recognised in the profit or loss. Details of cash flow hedges are disclosed in Note 39 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

13. DEFERRED TAX

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
In RM Mil	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Group						
Property, plant and equipment and intangible assets	**9,037**	9,434	**(24,297)**	(24,662)	**(15,260)**	(15,228)
Lease liabilities	**1,565**	2,179	**–**	–	**1,565**	2,179
Unused tax losses	**12,857**	8,635	**–**	–	**12,857**	8,635
Unabsorbed capital allowances	**2,452**	1,664	**–**	–	**2,452**	1,664
Unused reinvestment allowances	**453**	447	**–**	–	**453**	447
Unused investment tax allowances	**4,997**	5,056	**–**	–	**4,997**	5,056
Provision for decommissioning and restoration	**6,730**	5,597	**–**	–	**6,730**	5,597
Others	**3,410**	2,264	**(2,648)**	(1,768)	**762**	496
Tax assets/(liabilities)	**41,501**	35,276	**(26,945)**	(26,430)	**14,556**	8,846
Set off tax	**(13,648)**	(14,601)	**13,648**	14,601	**–**	–
Net tax assets/(liabilities)	**27,853**	20,675	**(13,297)**	(11,829)	**14,556**	8,846
Company						
Property, plant and equipment	**272**	261	**(656)**	(885)	**(384)**	(624)
Unused tax losses	**4,775**	1,920	**–**	–	**4,775**	1,920
Unabsorbed capital allowances	**47**	37	**–**	–	**47**	37
Unused investment tax allowances	**82**	721	**–**	–	**82**	721
Provision for decommissioning and restoration	**6,741**	5,304	**(2,578)**	–	**4,163**	5,304
Others	**502**	1,145	**(152)**	(267)	**350**	878
Tax assets/(liabilities)	**12,419**	9,388	**(3,386)**	(1,152)	**9,033**	8,236
Set off tax	**(3,386)**	(1,152)	**3,386**	1,152	**–**	–
Net tax assets	**9,033**	8,236	**–**	–	**9,033**	8,236

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group		Company	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Deductible temporary differences	**1,250**	1,301	**–**	–
Unabsorbed capital allowances	**3,605**	2,519	**–**	–
Unused tax losses	**48,324**	57,446	**7,346**	27,832
Unused reinvestment allowances	**–**	27	**–**	–
Unused investment tax allowances	**5,368**	1,417	**–**	–
	58,547	62,710	**7,346**	27,832

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

13. DEFERRED TAX (continued)

Unrecognised deferred tax assets (continued)

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company and the respective subsidiaries can utilise the benefits.

In accordance with the provision of Malaysian Finance Act 2021, the utilisation of unused tax losses will be limited to ten years with effect from year of assessment 2019.

Unabsorbed capital allowances and unused investment tax allowances do not expire under current tax legislation.

The Group and the Company have unused tax losses carried forward of approximately RM101,069 million (2022: RM94,170 million) and RM27,242 million (2022: RM35,833 million), unabsorbed capital allowances of approximately RM13,344 million (2022: RM8,929 million) and RM196 million (2022: RM154 million), and unused investment tax allowances of approximately RM22,465 million (2022: RM19,371 million) and RM216 million (2022: RM1,897 million) respectively, which give rise to the recognised and unrecognised deferred tax assets as above.

The Group also has unused reinvestment allowances of approximately RM1,888 million (2022: RM1,890 million) which give rise to the recognised and unrecognised deferred tax assets as above.

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

Group 2023 *In RM Mil*	**At 1.1.2023**	**Credited/ (Charged) to profit or loss**	**Acquisition of subsidiaries**	**Disposal of assets**
Deferred tax liabilities				
Property, plant and equipment and intangible assets	**(24,662)**	**843**	**–**	**–**
Others	**(1,768)**	**(486)**	**(190)**	**–**
	(26,430)	**[a]357**	**(190)**	**–**
Deferred tax assets				
Property, plant and equipment and intangible assets	**9,434**	**(511)**	**–**	**–**
Lease liabilities	**2,179**	**(666)**	**–**	**–**
Unused tax losses	**8,635**	**3,768**	**–**	**–**
Unabsorbed capital allowances	**1,664**	**786**	**–**	**–**
Unused reinvestment allowances	**447**	**6**	**–**	**–**
Unused investment tax allowances	**5,056**	**(84)**	**–**	**–**
Provision for decommissioning and restoration	**5,597**	**1,461**	**–**	**(347)**
Others	**2,264**	**476**	**113**	**–**
	35,276	**[b]5,236**	**113**	**(347)**
Total	**8,846**	**5,593**	**(77)**	**(347)**

continue to next page

[a,b] Includes reclassification within and between deferred tax liabilities and deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

13. DEFERRED TAX (continued)

Unrecognised deferred tax assets (continued)

Group 2023 *In RM Mil*	Equity	Translation exchange difference	At 31.12.2023
Deferred tax liabilities			
Property, plant and equipment and intangible assets	**–**	**(478)**	**(24,297)**
Others	**(100)**	**(104)**	**(2,648)**
	(100)	**(582)**	**(26,945)**
Deferred tax assets			
Property, plant and equipment and intangible assets	**–**	**114**	**9,037**
Lease liabilities	**–**	**52**	**1,565**
Unused tax losses	**–**	**454**	**12,857**
Unabsorbed capital allowances	**–**	**2**	**2,452**
Unused reinvestment allowances	**–**	**–**	**453**
Unused investment tax allowances	**–**	**25**	**4,997**
Provision for decommissioning and restoration	**–**	**19**	**6,730**
Others	**–**	**557**	**3,410**
	–	**1,223**	**41,501**
Total	**(100)**	**641**	**14,556**

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NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

13. DEFERRED TAX (continued)

Group 2022 *In RM Mil*	At 1.1.2022	Credited/ (Charged) to profit or loss	Acquisition of a subsidiary	Transfers
Deferred tax liabilities				
Property, plant and equipment and intangible assets	(23,583)	520	(1,475)	215
Others	(1,424)	(75)	(219)	–
	(25,007)	[a]445	(1,694)	215
Deferred tax assets				
Property, plant and equipment and intangible assets	9,343	(109)	–	–
Lease liabilities	2,377	(150)	–	(112)
Unused tax losses	9,965	(1,478)	–	–
Unabsorbed capital allowances	1,844	(409)	199	–
Unused reinvestment allowances	447	–	–	–
Unused investment tax allowances	5,932	(928)	–	–
Provision for decommissioning and restoration	5,572	255	–	(234)
Others	967	1,219	66	(318)
	36,447	[b](1,600)	265	(664)
Total	11,440	(1,155)	(1,429)	[c](449)

Group 2022 *In RM Mil*	Equity	Translation exchange difference	At 31.12.2022
Deferred tax liabilities			
Property, plant and equipment and intangible assets	–	(339)	(24,662)
Others	–	(50)	(1,768)
	–	(389)	(26,430)
Deferred tax assets			
Property, plant and equipment and intangible assets	–	200	9,434
Lease liabilities	–	64	2,179
Unused tax losses	–	148	8,635
Unabsorbed capital allowances	–	30	1,664
Unused reinvestment allowances	–	–	447
Unused investment tax allowances	–	52	5,056
Provision for decommissioning and restoration	–	4	5,597
Others	(47)	377	2,264
	(47)	875	35,276
Total	(47)	486	8,846

[a,b] Includes reclassification within and between deferred tax liabilities and deferred tax assets.
[c] Relates to transfer out to assets/(liabilities) classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

13. DEFERRED TAX (continued)

Company 2023 *In RM Mil*	**At 1.1.2023**	**Credited/ (Charged) to profit or loss**	**Transfers**	**Equity**	**At 31.12.2023**
Deferred tax liabilities					
Property, plant and equipment	**(885)**	**280**	**(51)**	**–**	**(656)**
Provision for decommissioning and restoration	**–**	**(2,578)**	**–**	**–**	**(2,578)**
Others	**(267)**	**265**	**–**	**(150)**	**(152)**
	(1,152)	**(2,033)**	**[a](51)**	**(150)**	**(3,386)**
Deferred tax assets					
Property, plant and equipment	**261**	**11**	**–**	**–**	**272**
Unused tax losses	**1,920**	**2,855**	**–**	**–**	**4,775**
Unabsorbed capital allowances	**37**	**10**	**–**	**–**	**47**
Unused investment tax allowances	**721**	**(639)**	**–**	**–**	**82**
Provision for decommissioning and restoration	**5,304**	**1,437**	**–**	**–**	**6,741**
Others	**1,145**	**(643)**	**–**	**–**	**502**
	9,388	**3,031**	**–**	**–**	**12,419**
	8,236	**998**	**[a](51)**	**(150)**	**9,033**

Company 2022 *In RM Mil*	**At 1.1.2022**	**Credited/ (Charged) to profit or loss**	**At 31.12.2022**
Deferred tax liabilities			
Property, plant and equipment	(972)	87	(885)
Others	(390)	123	(267)
	(1,362)	210	(1,152)
Deferred tax assets			
Property, plant and equipment	251	10	261
Unused tax losses	2,599	(679)	1,920
Unabsorbed capital allowances	22	15	37
Unused investment tax allowances	901	(180)	721
Provision for decommissioning and restoration	4,770	534	5,304
Others	465	680	1,145
	9,008	380	9,388
	7,646	590	8,236

[a] Includes transfer out to investment in subsidiaries of RM51 million.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

14. TRADE AND OTHER INVENTORIES

	Group		**Company**	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Crude oil and condensates	**2,578**	3,170	**15**	63
Petroleum products	**3,287**	3,467	**28**	28
Petrochemical products	**1,885**	2,028	**–**	–
Liquefied natural gas	**1,226**	2,146	**–**	–
Stores, spares and others	**3,704**	3,035	***–**	*–
Developed properties held for sale	**615**	816	**–**	–
Properties under development	**1,012**	950	**–**	–
Inventories at lower of cost and net realisable value	**14,307**	15,612	**43**	91
Recognised in profit or loss:				
Inventories recognised as cost of sales	**99,894**	142,797	**–**	–
Net inventories written down to net realisable value/ written off	**133**	233	**–**	–

* Amount less than RM1 million.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

15. TRADE AND OTHER RECEIVABLES

		Group		Company	
In RM Mil	Note	2023	2022	2023	2022
Trade					
Trade receivables	39	**30,802**	33,304	**2,065**	3,133
Amount due from:					
– subsidiaries		**–**	–	**14,809**	14,204
– associates and joint arrangements		**5,859**	4,527	**–**	–
Contract assets		**342**	183	**–**	–
Derivative financial assets	12	**1,294**	2,798	**632**	626
Less: Allowance for impairment losses					
– Trade receivables	39	**(855)**	(926)	**(7)**	(6)
– Amount due from subsidiaries	39	**–**	–	**(1)**	(1)
– Amount due from associates and joint arrangements		**(156)**	(178)	**–**	–
		37,286	39,708	**17,498**	17,956
Non-trade					
Other receivables, deposits and prepayments		**16,270**	13,477	**1,637**	1,363
Amount due from:					
– subsidiaries		**–**	–	**9,694**	10,325
– associates and joint arrangements		**1,014**	649	**5**	1
Tax recoverable		**2,174**	325	**–**	–
Finance lease receivables	10	**1,255**	1,229	**–**	–
Derivative financial assets	12	**186**	109	**151**	66
Less: Allowance for impairment losses					
– Amount due from subsidiaries		**–**	–	**(2)**	(12)
– Other receivables, deposits and prepayments		**(1,157)**	(1,499)	**(12)**	(12)
		19,742	14,290	**11,473**	11,731
		57,028	53,998	**28,971**	29,687

Amounts due from subsidiaries, associates and joint arrangements arose in the normal course of business.

Contract assets are mainly in relation to sale of property development whereby they represent the timing differences in revenue recognition and the milestone billings. The milestone billings are either governed by the relevant regulations or structured and/or negotiated with customers and stated in the contracts.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

16. CASH AND CASH EQUIVALENTS

	Group		Company	
In RM Mil	2023	2022	2023	2022
Cash and bank balances	**22,694**	19,050	**9,426**	6,527
Deposits placed	**185,798**	182,170	**130,100**	148,471
	208,492	201,220	**139,526**	154,998
Less: Subsidiaries' cash with PETRONAS Integrated Financial Shared Service Centre	**–**	–	**(64,366)**	(63,831)
	208,492	201,220	**75,160**	91,167

The Company manages the cash and cash equivalents on behalf of certain subsidiaries through its Integrated Financial Shared Service Centre in order to allow for more efficient management of cash. The cash and cash equivalents reported in the Company's financial statements do not include the amounts managed on behalf of the subsidiaries.

Included in cash and bank balances of the Group and the Company are interest-bearing balances amounting to RM18,200 million (2022: RM14,396 million) and RM9,426 million (2022: RM6,527 million) respectively.

Included in deposits with banks of the Group is an amount of RM23,980 million (2022: RM25,902 million) which is held for the purpose of future decommissioning and restoration activities of oil and gas properties.

Included in the consolidated cash and cash equivalents are restricted amounts in relation to:

(i) retention account of RM1,108 million (2022: RM727 million) which is restricted for use under the requirements of loan covenants, certain borrowing facilities agreement and construction projects;

(ii) deposits held under designated accounts for redemption of Islamic financing facilities of RM368 million (2022: RM272 million); and

(iii) deposits restricted for other requirements of RM37 million (2022: RM40 million).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

17. ASSETS/(LIABILITIES) CLASSIFIED AS HELD FOR SALE AND DISCONTINUING OPERATIONS

Assets/(liabilities) classified as held for sale

Assets and liabilities held for sale are disposal groups intended to be disposed in the immediate future. Included in the disposal groups during the year are other disposal groups that are not material in relation to the consolidated results of the Group and therefore not presented separately as discontinuing operations.

The financial performance and the net cash flows of disposal group that is material in relation to the consolidated results of the Group is presented separately as discontinuing operations in the Group's financial statements.

The following amounts represent carrying values of net assets owned by the Group with the intention of disposal in the immediate future. The carrying amounts of these assets represent the lower of carrying amounts or fair values. The amount also includes a disposal group from prior year, which continues to be classified as held for sale following the Group's commitment to sell the assets.

		Group
In RM Mil	**2023**	**2022**
Assets classified as held for sale		
Property, plant and equipment	**4,079**	6,028
Investments in associates	**101**	660
Intangible assets	**322**	348
Deferred tax assets	**335**	472
Trade and other inventories	**4,665**	3,642
Trade and other receivables	**3,827**	4,761
Cash and other assets	**1,012**	1,407
	14,341	17,318
Liabilities classified as held for sale		
Borrowings	**(3,031)**	(3,282)
Deferred tax liabilities	**(16)**	(707)
Trade and other payables	**(5,306)**	(4,805)
Other liabilities and provisions	**(724)**	(2,826)
	(9,077)	(11,620)
Amounts included in accumulated OCI		
Foreign currency translation reserve	**2,283**	1,546
Other reserves	**(180)**	(173)
Reserves of disposal group classified as held for sale	**2,103**	1,373

Fair value information

In accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, certain assets classified as held for sale were written down to their fair value less costs to sell. The fair value less costs to sell is based on the most recent market transactions of the disposal groups.

The fair value of certain assets which are carried at fair value are categorised as Level 2.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

17. ASSETS/(LIABILITIES) CLASSIFIED AS HELD FOR SALE AND DISCONTINUING OPERATIONS (continued)

Discontinuing operations

On 7 February 2023, PETRONAS via its wholly-owned subsidiary, PETRONAS Marketing International Sdn. Bhd. ("PMISB"), signed a Sale and Purchase Agreement with Vitol Emerald Bidco (Pty) Ltd and Vitol Africa B.V. for the sale of PMISB's entire 74% equity interests in its subsidiary, namely Engen Limited and its subsidiaries ("Engen Group"). The divestment is expected to be completed in 2024 upon fulfilment of customary conditions precedent including regulatory approvals.

The business of Engen Group represents the major composition of the Group's geographical segment for Africa and has been classified as disposal group held for sale and discontinuing operations since 31 December 2022.

The results of Engen Group for the year are presented below:

			Group
In RM Mil	**Note**	**2023**	**2022**
Revenue	25	**37,842**	42,265
Cost of revenue		**(33,665)**	(36,374)
Gross profit		**4,177**	5,891
Selling and distribution expenses		**(828)**	(989)
Administration expenses		**(775)**	(993)
Net impairment losses[1]		**(88)**	(45)
Other expenses		**(729)**	(433)
Other income		**662**	833
Operating profit		**2,419**	4,264
Financing costs	27	**(333)**	(297)
Share of profit after tax and non-controlling interest of equity accounted associates and joint ventures		**–**	11
Profit before tax from discontinuing operations		**2,086**	3,978
Tax expense	28	**(311)**	(165)
Profit for the year from discontinuing operations		**1,775**	3,813
Other comprehensive income			
Net changes in fair value of equity investments at fair value through OCI		**7**	(4)
Net movements from exchange differences of discontinuing operations		**(154)**	2
Other comprehensive income from discontinuing operations		**1,628**	3,811

[1] Includes certain amount relating to write-off of assets.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

17. ASSETS/(LIABILITIES) CLASSIFIED AS HELD FOR SALE AND DISCONTINUING OPERATIONS (continued)

Discontinuing operations (continued)

The net cash flows incurred by Engen Group are as follows:

	Group	
In RM Mil	**2023**	**2022**
Net cash generated from operating activities	**4,324**	612
Net cash used in investing activities	**(458)**	(381)
Net cash generated from financing activities	**214**	135
Net increase in cash and cash equivalents	**4,080**	366

The net effect arising from the disposal of Engen Group is not expected to be material in relation to the consolidated net profit of the Group for the year.

18. SHARE CAPITAL

	Company	
In RM Mil	**2023**	**2022**
Issued and fully paid shares with no par value classified as equity instrument:		
100,000 ordinary shares of RM1,000 each	**100**	100

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. Ordinary share has no par value.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

19. RESERVES

Capital and other reserves

Capital reserves represent primarily reserves created upon issuance of bonus shares and redemption of preference shares by subsidiaries. Other reserves comprise the Group's share of its associate and joint venture companies' reserves.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries whose functional currencies are different from that of the Company's functional currency as well as foreign currency differences arising from the translation of monetary items that are considered to form part of a net investment in a foreign operation.

Fair value through other comprehensive income reserve

This reserve records the changes in fair value of equity securities designated at fair value through other comprehensive income. On disposal or impairment of equity securities, the cumulative changes in fair value are transferred to the retained profits.

Hedging reserve

Hedging reserve includes the cash flow hedge reserve that records the effective portion of the gain or loss on derivatives designated as hedging instrument in a cash flow hedge. Amounts are subsequently transferred out from equity to either profit or loss or the carrying value of assets, as appropriate. Hedging reserve also includes the cost of hedging reserve which records the changes in the time value of option contracts and the forward element of forward contracts.

General reserve

General reserve represents appropriation of retained profits for general purposes rather than for a specific item of future loss or expense. In effect, it is a reserve for unspecified possible events.

20. NON-CONTROLLING INTERESTS

This consists of the non-controlling interests' proportion of share capital and reserves of partly-owned subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

21. BORROWINGS

	Group		Company	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Non-current				
Secured				
Term loans	**16,323**	14,189	**–**	–
Islamic financing facilities	**1,713**	3,045	**–**	–
Lease liabilities	**13,596**	13,291	**6,534**	6,561
Total non-current secured borrowings	**31,632**	30,525	**6,534**	6,561
Unsecured				
Term loans	**1,612**	1,570	**–**	–
Notes and Bonds	**64,539**	61,917	**57,192**	54,871
Islamic financing facilities	**971**	2,333	**–**	–
Total non-current unsecured borrowings	**67,122**	65,820	**57,192**	54,871
Total non-current borrowings	**98,754**	96,345	**63,726**	61,432
Current				
Secured				
Term loans	**4,111**	2,054	**–**	–
Islamic financing facilities	**1,318**	261	**–**	–
Lease liabilities	**3,445**	1,782	**517**	650
Total current secured borrowings	**8,874**	4,097	**517**	650
Unsecured				
Term loans	**128**	2,735	**–**	–
Islamic financing facilities	**1,707**	533	**–**	–
Revolving credits	**1,882**	154	**–**	–
Bankers' acceptances	**276**	293	**–**	–
Total current unsecured borrowings	**3,993**	3,715	**–**	–
Total current borrowings	**12,867**	7,812	**517**	650
Total borrowings	**111,621**	104,157	**64,243**	62,082

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

21. BORROWINGS (continued)

Terms and debt repayment schedule

Group **2023** *In RM Mil*	**Total**	**Under 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Secured					
Term loans	**20,434**	**4,111**	**2,533**	**8,776**	**5,014**
Islamic financing facilities	**3,031**	**1,318**	**586**	**432**	**695**
Lease liabilities	**17,041**	**3,445**	**2,313**	**3,916**	**7,367**
	40,506	**8,874**	**5,432**	**13,124**	**13,076**
Unsecured					
Term loans	**1,740**	**128**	**64**	**198**	**1,350**
Notes and Bonds	**64,539**	**–**	**8,726**	**7,808**	**48,005**
Islamic financing facilities	**2,678**	**1,707**	**134**	**500**	**337**
Revolving credits	**1,882**	**1,882**	**–**	**–**	**–**
Bankers' acceptances	**276**	**276**	**–**	**–**	**–**
	71,115	**3,993**	**8,924**	**8,506**	**49,692**
	111,621	**12,867**	**14,356**	**21,630**	**62,768**

2022 *In RM Mil*	**Total**	**Under 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Secured					
Term loans	16,243	2,054	1,454	8,434	4,301
Islamic financing facilities	3,306	261	613	898	1,534
Lease liabilities	15,073	1,782	2,056	3,752	7,483
	34,622	4,097	4,123	13,084	13,318
Unsecured					
Term loans	4,305	2,735	–	738	832
Notes and Bonds	61,917	–	–	13,213	48,704
Islamic financing facilities	2,866	533	1,321	916	96
Revolving credits	154	154	–	–	–
Bankers' acceptances	293	293	–	–	–
	69,535	3,715	1,321	14,867	49,632
	104,157	7,812	5,444	27,951	62,950

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

21. BORROWINGS (continued)

Terms and debt repayment schedule (continued)

Company **2023** ***In RM Mil***	**Total**	**Under 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Secured					
Lease liabilities	**7,051**	**517**	**549**	**1,013**	**4,972**
Unsecured					
Notes and Bonds	**57,192**	**–**	**6,887**	**2,300**	**48,005**
	64,243	**517**	**7,436**	**3,313**	**52,977**

2022 ***In RM Mil***	**Total**	**Under 1 year**	**1-2 years**	**2-5 years**	**Over 5 years**
Secured					
Lease liabilities	7,211	650	498	1,259	4,804
Unsecured					
Notes and Bonds	54,871	–	–	8,810	46,061
	62,082	650	498	10,069	50,865

Islamic financing facilities

Details of Islamic financing facilities are included in Note 22.

Secured term loans

The secured term loans obtained by the subsidiaries primarily comprise:

In Mil	**Securities**	**2023**	**2022**
USD Term loans	Secured by way of a charge over certain property, plant and equipment, together with charter agreements, insurance of the relevant assets and retention accounts of certain subsidiaries.	**US$3,510**	US$3,275
EUR Term loans	Secured by way of a deed of guarantee undertaken by the Company.	**€435**	€435
INR Term loans	Secured by way of charge over all assets of the projects financed including immovable and movable properties, current assets, accounts, intangible assets and goodwill.	**₹103,032**	₹29,247

Included in the USD secured term loans of the Group is 50% share of project financing facility of a joint operation entity amounting to USD372 million (2022: USD396 million), which is undertaken with a joint venture entity, under an integrated borrowing structure for contractual obligations for project completion and delivery and for the repayment of bridge loan facilities and other expenditures.

The loan of the joint operation entity is secured in the following manner:

(i) completion guarantee by the Company, which is a fully recourse guarantee to a subsidiary, on several and not joint basis which will be uplifted and terminated upon meeting all project completion requirements;
(ii) cross-guarantee arrangement under an integrated borrowing structure due to the nature of the project with a joint venture entity as disclosed in Note 39; and
(iii) charge over ordinary shares and the land lease rights of the said joint operation entity.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

21. BORROWINGS (continued)

Secured term loans (continued)

As per the integrated borrowing structure, the Company has provided a project completion guarantee to the lenders, via a Debt Service Undertaking ("DSU") for a Guaranteed Project Completion Date ("Guaranteed PCD") on 31 December 2023. The DSU further defines that the lenders have the right to request for full repayment of outstanding amount if the project completion delays beyond the Guaranteed PCD.

In relation to the completion guarantee given, as at 31 December 2023, the Guaranteed PCD has been extended from 31 December 2023 to 31 March 2024. Subject to lenders agreement, the Guaranteed PCD is expected to be extended up to 31 December 2025.

The secured term loans bear interest at rates ranging from 1.85% to 7.57% (2022: 1.10% to 6.23%) per annum and are fully repayable at their various due dates from 2024 to 2031.

Unsecured term loans

The unsecured term loans obtained by the subsidiaries primarily comprise:

In Mil	**2023**	**2022**
USD Term loans	**US$1,828**	US$2,284

These unsecured term loans bear interest at rates ranging from 0.71% to 6.70% (2022: 0.71% to 6.60%) per annum and are fully repayable at their various due dates from 2024 to 2029.

Unsecured Notes and Bonds

The unsecured Notes and Bonds comprise:

In Mil	**2023**	**2022**
USD Notes and Bonds:		
3.625% Guaranteed Notes due 2025*	**US$400**	US$400
3.500% Guaranteed Notes due 2025^@	**US$1,500**	US$1,500
7.625% Bonds due 2026#	**US$500**	US$500
3.750% Guaranteed Notes due 2027*	**US$600**	US$600
2.112% Guaranteed Notes due 2028*@	**US$600**	US$600
3.500% Guaranteed Notes due 2030^@	**US$2,250**	US$2,250
2.480% Guaranteed Notes due 2032^@	**US$1,250**	US$1,250
4.500% Guaranteed Notes due 2045^@	**US$1,500**	US$1,500
4.550% Guaranteed Notes due 2050^@	**US$2,750**	US$2,750
4.800% Guaranteed Notes due 2060^@	**US$1,000**	US$1,000
3.404% Guaranteed Notes due 2061^@	**US$1,750**	US$1,750

\# Issued by the Company.
^ Issued by the Company via a subsidiary.
* Issued by a subsidiary.
@ Guaranteed by the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

21. BORROWINGS (continued)

Unsecured Notes and Bonds (continued)

In connection with the long-term borrowing facility agreements, the Group and the Company have agreed on the following significant covenants with the bondholders of (i) the Bonds issued by the Company and (ii) the Guaranteed Notes®:

(i) not to allow any material indebtedness (the minimum aggregate amount exceeding USD30,000,000 for the 7.625% Bonds due 2026 and USD200,000,000 for the other Guaranteed Notes or its equivalent in any other currency) for borrowed money of the Company to become due or capable of being declared due before its stated maturity, any guarantee of the Company for material indebtedness of any other person is not discharged at maturity or when validly called or the Company goes into default;

(ii) the Company (not including any of its subsidiaries) not to create, incur or have outstanding any mortgage, pledge, lien, charge, encumbrance or any other lien upon the whole or any part of its property or assets, present or future, to secure for the benefit of the holders of any indebtedness of itself or any other person, unless the aggregate outstanding principal amount of all such secured indebtedness (other than indebtedness secured by the liens already in existence) plus attributable debt of the Company in respect of sales and leaseback transactions would not exceed 10% of the consolidated net tangible assets for the 7.625% Bonds due 2026 and 15% of the consolidated net tangible assets for the other Guaranteed Notes;

(iii) the Company (not including any of its subsidiaries) not to enter into any sale and leaseback transaction, unless the attributable debt in respect of such sale and leaseback transaction and all other sale and leaseback transaction plus the aggregate outstanding principal amount of indebtedness for borrowed money secured by security interests (other than permitted security interests) then outstanding which have not equally and ratably secured, the total outstanding would not exceed 10% of the consolidated net tangible assets for the 7.625% Bonds due 2026 and 15% of the consolidated net tangible assets for the other Guaranteed Notes provided that, within 12 months after such sale and leaseback transaction, it applies to the retirement of indebtedness for borrowed money, the repayment obligations hereunder and which are not secured by any security interest, an amount to the greater of:

- the net proceeds of the sale or transfer of the property or other assets which are the subject of such sale and leaseback transaction as determined by the Company; or
- the fair market value of the property or other assets so leased as determined by the Company;

(iv) the Company, PETRONAS Capital Limited ("PCL") and PETRONAS Energy Canada Ltd ("PECL"), without consent of the majority bondholders may not consolidate with, or merge into, or sell, transfer, lease or convey substantially all of its assets to any corporation unless any successor corporation expressly assumes the obligations of the Company, PCL or PECL, as the case may be under the Guaranteed Notes and Bonds.

Unsecured revolving credits and bank overdrafts

The unsecured revolving credits and bank overdrafts are obtained by the subsidiaries and primarily bear interest at rates ranging from 2.96% to 7.25% (2022: 1.50% to 7.25%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

22. ISLAMIC FINANCING FACILITIES

Secured Islamic financing facilities

The secured Islamic financing facilities obtained by the subsidiaries comprise:

In RM Mil	**2023**	**2022**
Musharakah Mutanaqisah Term Finances	**206**	206
Murabahah Medium Term Notes	**4,455**	4,455

The secured Islamic financing facilities bear yield payable/profit rates ranging from 2.03% to 4.80% (2022: 2.03% to 4.80%) per annum and are fully repayable at their various due dates from 2024 to 2040.

The Islamic financing facilities are secured by way of a charge over certain property, plant and equipment and investment properties.

Unsecured Islamic financing facilities

The unsecured Islamic financing facilities obtained by the subsidiaries primarily comprise:

In RM Mil	**2023**	**2022**
Murabahah Note Issuance Facilities	**1,300**	1,300
Sukuk Musyarakah	**4,500**	4,500

The unsecured Islamic financing facilities bear yield payable ranging from 3.46% to 4.58% (2022: 3.44% to 4.58%) per annum and are fully repayable at their various due dates from 2024 to 2033.

On 29 March 2023, PETRONAS via its partly-owned subsidiary, PETRONAS Dagangan Berhad ("PDB") has announced the establishment of Islamic Commercial Papers Programme and Islamic Medium Term Notes ("IMTN") Programme with a combined aggregate limit of up to RM10.0 billion in nominal value based on the Shariah principle of Wakalah Bi Al-Istithmar (collectively, the "Sukuk Wakalah Programmes"). The proceeds will be used to finance PDB and/or its subsidiaries' Shariah-compliant general corporate purposes, which include investments, capital expenditure, working capital requirements and/or refinancing of existing or future financing. As at reporting date, PDB has issued RM2.0 million for the Sukuk Wakalah Programmes on 31 July 2023 and subsequently redeemed RM1.0 million on 25 August 2023. The remaining of IMTN will be fully redeemed on 31 July 2024.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

23. OTHER LONG-TERM LIABILITIES AND PROVISIONS

		Group		Company	
In RM Mil	Note	2023	2022	2023	2022
Provision for decommissioning and restoration of:					
– oil and gas properties		**45,256**	35,147	**24,532**	17,362
– other property, plant and equipment		**4,311**	1,445	**–**	–
Financial guarantees		**–**	–	**116**	150
Derivative financial liabilities	12	**13**	46	**–**	–
Contract liabilities		**3,935**	3,367	**8,840**	9,175
Abandonment cess payables	38	**5,816**	4,460	**14,184**	12,516
Others		**5,103**	5,953	**176**	128
		64,434	50,418	**47,848**	39,331

Provision for decommissioning and restoration of oil and gas properties and other property, plant and equipment is recognised when there is an obligation to abandon a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. In the case of provision for decommissioning and restoration of oil and gas properties, the obligation is stipulated in certain PSCs as described in Note 38.

The provision recognised is the present value of the Group's and the Company's obligations of the estimated future costs determined in accordance with current conditions and requirements.

A corresponding asset of an amount equivalent to the provision is also created. This asset is depreciated in accordance with the policy set out in Note 2.4. The increase in the present value of the provision for the expected costs due to the passage of time is included within finance costs.

Most of these removal events are many years in the future and precise requirements that will have to be met when the removal events actually occur are uncertain. The actual timing and net cash outflows can differ from estimates due to changes in laws, regulations, public expectations, technologies, prices and conditions, therefore, the carrying amount of provisions, together with the interest rate used in discounting the cash flows and inflation rate, are regularly reviewed and adjusted to take account of such changes. The interest rates and inflation rates used to determine the significant obligations as at 31 December 2023 ranges from 3.02% to 10.63% (2022: 3.28% to 7.91%) and 1.62% to 3.10% (2022: 2.00% to 5.51%) respectively. Changes in the expected future costs are reflected in both the provision and the asset.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

23. OTHER LONG-TERM LIABILITIES AND PROVISIONS (continued)

The movement of provision for decommissioning and restoration during the financial year are as follows:

	Group		Company	
In RM Mil	2023	2022	2023	2022
At 1 January	**37,486**	39,756	**17,653**	17,078
Additions	**2,587**	1,161	**161**	161
Net changes in provision	**10,554**	(2,747)	**6,992**	(210)
Transfer to liabilities classified as held for sale	**–**	(1,536)	**–**	–
Provision utilised	**(1,210)**	(936)	**(167)**	(88)
Unwinding of discount	**2,122**	1,514	**927**	712
Disposals	**(1,591)**	(11)	**(931)**	–
Translation exchange difference	**266**	285	**–**	–
At 31 December	**50,214**	37,486	**24,635**	17,653

		Group		Company	
In RM Mil	Note	2023	2022	2023	2022
Included within:					
Other long-term liabilities and provisions		**49,567**	36,592	**24,532**	17,362
Trade and other payables	24	**647**	894	**103**	291
		50,214	37,486	**24,635**	17,653

As at 31 December 2023, the provision for decommissioning and restoration is expected to be utilised as follows:

In RM Mil	Group	Company
1 to 10 years	**16,715**	**6,797**
11 to 20 years	**19,428**	**12,977**
More than 20 years	**14,071**	**4,861**
	50,214	**24,635**

The Group and the Company use a range of long-term assumptions including prices, volumes, margins and costs based on past performance and management expectations of market development in the estimation of the present value of the provision.

During the year, the provision for decommissioning and restoration for the Group and the Company increased by RM10,554 million and RM6,992 million respectively, out of which RM8,554 million and RM5,250 million respectively were as a result of changes in the estimated cash flows and inflation rates, RM2,000 million and RM1,742 million respectively were attributable to the changes in the discount rates and other certain key changes in the assumptions.

In the prior year, the provision for the Group and the Company decreased by RM3,117 million and RM783 million respectively as a result of change in the discount rates, partly offset by an increase in the provision by RM370 million and RM573 million respectively resulting from other changes in the estimated cash flows.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

23. OTHER LONG-TERM LIABILITIES AND PROVISIONS (continued)

The adjustments were accounted for prospectively as a change in accounting estimates resulting in the following:

	Group		Company	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Increase/(Decrease) in provision for decommissioning and restoration	**10,554**	(2,747)	**6,992**	(210)
Increase/(Decrease) in cost of property, plant and equipment	**9,163**	(2,527)	**5,801**	(76)
(Decrease)/Increase in net profits	**(1,391)**	220	**(1,191)**	134

24. TRADE AND OTHER PAYABLES

		Group		Company	
In RM Mil	**Note**	**2023**	**2022**	**2023**	**2022**
Trade payables		**19,979**	15,847	**2,392**	2,317
Other payables		**45,273**	45,995	**13,640**	15,136
Amount due to:					
– subsidiaries		**–**	–	**5,612**	6,186
– associates and joint arrangements		**2,472**	1,266	**23**	9
Derivative financial liabilities	12	**352**	569	**143**	78
		68,076	63,677	**21,810**	23,726

Included in other payables of the Group and the Company are:

(i) amounts owing to suppliers, contractors and joint operation partners which mainly arose in the normal course of business and cash payments to the Federal and State Governments of Malaysia; and

(ii) provision for decommissioning and restoration of RM647 million (2022: RM894 million) and RM103 million (2022: RM291 million) respectively, which are expected to be utilised in the next twelve months.

Amounts due to subsidiaries, associates and joint arrangements arose in the normal course of business.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

25. REVENUE

	Group		Company	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Continuing operations				
Revenue from contracts with customers	**286,681**	314,970	**125,552**	130,666
Other revenue				
– shipping and shipping related services[a]	**4,394**	3,320	**–**	–
– net trading gain	**548**	1,178	**–**	–
– rental of properties	**2,883**	2,501	**–**	–
– rendering of services	**37**	44	**658**	766
– others	**1,441**	3,440	**3,509**	8,036
	9,303	10,483	**4,167**	8,802
– dividend income				
Quoted				
– subsidiaries	**–**	–	**3,388**	4,458
– associates	**–**	–	**16**	18
– other investments	**66**	62	**1**	*–
Unquoted				
– subsidiaries	**–**	–	**23,777**	23,486
– associates and joint arrangements	**–**	131	**144**	104
– other investments	**1**	8	**–**	8
	67	201	**27,326**	28,074
– interest income	**9,704**	4,355	**4,150**	2,128
Total revenue from continuing operations	**305,755**	330,009	**161,195**	169,670
Discontinuing operations				
Revenue from contracts with customers	**37,842**	42,265	**–**	–
Total revenue	**343,597**	372,274	**161,195**	169,670

* Amount less than RM1 million.

[a] Includes income from vessels leased to others as operating lease.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

25. REVENUE (continued)

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by primary geographical markets and major products/services lines.

Group 2023 *In RM Mil*	**Upstream**	**Gas**	**Downstream**	**Corporate and others**	**Total**
Primary geographical markets					
– Asia[a]	**19,639**	**69,074**	**44,620**	**362**	**133,695**
– Malaysia	**3,310**	**22,512**	**61,613**	**3,170**	**90,605**
– Africa	**3,669**	**–**	**39,058**	**–**	**42,727**
– Rest of the world[b]	**12,000**	**7,934**	**33,562**	**4,000**	**57,496**
	38,618	**99,520**	**[c]178,853**	**7,532**	**324,523**
Major products/services lines					
– Petroleum products	**198**	**–**	**132,257**	**–**	**132,455**
– Crude oil and condensates	**25,387**	**202**	**13,138**	**–**	**38,727**
– Liquefied natural gas	**–**	**72,914**	**1,141**	**–**	**74,055**
– Natural and processed gas	**12,350**	**25,814**	**39**	**–**	**38,203**
– Petrochemical products	**–**	**–**	**27,862**	**–**	**27,862**
– Construction contracts	**–**	**–**	**–**	**3,345**	**3,345**
– Others	**683**	**590**	**4,416**	**4,187**	**9,876**
	38,618	**99,520**	**[c]178,853**	**7,532**	**324,523**
Revenue from contracts with customers	**38,618**	**99,520**	**178,853**	**7,532**	**324,523**
Other revenue	**2,959**	**1,943**	**1,139**	**13,033**	**19,074**
Total revenue	**41,577**	**101,463**	**179,992**	**20,565**	**343,597**

[a] Excludes Malaysia.
[b] Comprises revenue that is not material by individual country.
[c] Includes revenue from discontinuing operations of RM37,842 million.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

25. REVENUE (continued)

Disaggregation of revenue from contracts with customers (continued)

Group 2022 Restated[a] *In RM Mil*	**Upstream**	**Gas**	**Downstream**	**Corporate and others**	**Total**
Primary geographical markets					
– Asia[b]	24,664	89,862	44,112	334	158,972
– Malaysia	3,312	20,871	53,293	2,727	80,203
– Africa	4,727	–	43,211	–	47,938
– Rest of the world[c]	23,290	10,260	30,403	6,169	70,122
	55,993	120,993	[d]171,019	9,230	357,235
Major products/services lines					
– Petroleum products	443	–	128,422	–	128,865
– Crude oil and condensates	40,524	315	8,393	–	49,232
– Liquefied natural gas	–	95,513	2,638	–	98,151
– Natural and processed gas	14,307	25,012	45	–	39,364
– Petrochemical products	–	–	28,296	–	28,296
– Construction contracts	–	–	–	5,060	5,060
– Others	719	153	3,225	4,170	8,267
	55,993	120,993	[d]171,019	9,230	357,235
Revenue from contracts with customers	55,993	120,993	171,019	9,230	357,235
Other revenue	4,465	1,756	830	7,988	15,039
Total revenue	60,458	122,749	171,849	17,218	372,274

[a] Certain prior year information has been restated to conform with current year presentation.
[b] Excludes Malaysia.
[c] Comprises revenue that is not material by individual country.
[d] Includes revenue from discontinuing operations of RM42,265 million.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

25. REVENUE (continued)

Disaggregation of revenue from contracts with customers (continued)

Company *In RM Mil*	**2023**	**2022**
Primary geographical markets		
– Asia[a]	**12,894**	16,865
– Malaysia	**109,449**	108,719
– Rest of the world[b]	**3,209**	5,082
	125,552	130,666
Major products/services lines		
– Crude oil and condensates	**45,477**	55,525
– Liquefied natural gas	**8,008**	9,829
– Natural and processed gas	**72,067**	65,312
	125,552	130,666
Revenue from contracts with customers	**125,552**	130,666
Dividend income	**27,326**	28,074
Other revenue	**8,317**	10,930
Total revenue	**161,195**	169,670

Nature of goods and services

Sales of oil and gas products

Revenue from sales of oil and gas products namely petroleum products, crude oil and condensates, liquefied natural gas, natural gas, processed gas and petrochemical products is recognised when control of the goods has transferred to the customers. Depending on the terms of the contract with the customer, controls transfer either upon delivery of the goods to a location specified by the customers or upon delivery of the goods on board vessels or tankers for onward delivery to the customers. There is no significant financing element present for most of the contracts, as the Group's and the Company's sales of oil and gas products are made either on cash or credit terms as per the industry practices.

Construction contracts

Revenue from construction contracts is recognised progressively based on percentage of completion method, determined based on either input or output method. Input method is measured based on the ratio of costs incurred to date to total estimated costs. Output method is measured by reference to the proportion of physical completion based on technical milestones defined under the contracts.

[a] Excludes Malaysia.
[b] Comprises revenue that is not material by individual country.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

25. REVENUE (continued)

Transaction price allocated to remaining performance obligations

The Group and the Company entered into long-term contracts for the sales of various oil and gas products with remaining tenures ranging between 1 to 19 years (2022: 2 to 20 years). The future revenue of the Group and of the Company is dependent on the prevailing market price, exchange rate on the transaction date as well as production volume, which is based on contractual requirement.

In addition to the above, the Group and the Company entered into spot and short-term contracts for the sales of various oil and gas products with remaining tenures of less than one year.

The Group also entered into long-term construction contracts. The following table shows revenue expected to be recognised in the future related to performance obligations of construction contracts that are unsatisfied (or partially unsatisfied) as at 31 December 2023. The disclosure is only providing information for contracts that have a duration of more than one year.

Group *In RM Mil*	**Under 1 year**	**1-5 years**	**Total**
Construction contracts	**2,203**	**1,454**	**3,657**

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

26. OPERATING PROFIT

	Group		Company	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Included in operating profit are the following charges:				
Auditors' remuneration				
– Statutory audits				
– KPMG PLT	**8**	7	**2**	2
– Affiliates of KPMG PLT	**7**	7	**–**	–
– Other auditors	**32**	32	**–**	–
– Non audit services				
– KPMG PLT	**1**	2	**1**	1
– Affiliates of KPMG PLT	**2**	2	**1**	*–
– Other auditors	**77**	52	**52**	29
Amortisation of:				
– contract costs	**16**	20	**–**	–
– intangible assets	**2,417**	2,134	**60**	33
Contribution to Tabung Amanah Negara	**500**	2,000	**500**	2,000
Depreciation of:				
– investment properties	**499**	509	**–**	–
– property, plant and equipment	**34,855**	31,282	**2,734**	1,611
Loss on remeasurement/derecognition of financial assets measured at amortised cost	**874**	939	**238**	21
Loss on remeasurement of net assets classified as held for sale	**537**	1,304	**–**	–
Net impairment losses of:				
– other intangible assets	**50**	1,348	**–**	–
– investments in subsidiaries	**–**	–	**4,971**	–
– investment properties	**87**	15	**–**	–
– loans and advances to joint ventures	**–**	141	**4**	30
– other investments	**1**	–	**–**	–
– property, plant and equipment	**438**	–	**–**	–
– trade and other receivables:				
– contracts with customers	**–**	–	**58**	281
– joint arrangements	**1,620**	382	**1,319**	–
Net impairment/write-off of well costs	**1,439**	1,363	**–**	–
Net inventories written down to net realisable value/ written off	**78**	233	***–**	*–
Net loss on derivatives	**1,293**	3,454	**2,487**	2,348
Net loss on disposals of:				
– other investments	**76**	5	**–**	–
– property, plant and equipment	**–**	515	**318**	–
Net loss on realisation of foreign currency translation reserve from disposals	**–**	329	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

26. OPERATING PROFIT (continued)

	Group		Company	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Included in operating profit are the following charges (continued):				
Net write-off of:				
– bad debts	**169**	42	**–**	–
– property, plant and equipment	**3,386**	372	**2,082**	–
– other assets	**9**	–	**18**	–
Research and development expenditure	**140**	124	**2**	1
Rental of facilities and equipments	**418**	429	**58**	71
Staff costs:				
– contributions to pension fund	**1,548**	1,303	**423**	348
– wages, salaries and others	**15,646**	12,851	**3,126**	2,560
and credits:				
Interest income – others	**1,859**	1,322	**3,322**	2,471
Net change in contract liabilities	**299**	9	**765**	89
Net change in fair value of long-term receivables	**–**	–	**1,800**	493
Net gain on foreign exchange	**445**	954	**2,050**	2,517
Net gain on disposals/partial disposals of:				
– investment in a business	**–**	88	**–**	–
– investments in subsidiaries	**24**	136	***–**	50
– property, plant and equipment	**1,298**	–	***–**	1
– other assets	**6**	15	**–**	–
Net gain on realisation of foreign currency translation reserve from disposals	**445**	–	**–**	–
Net impairment reversals of:				
– investments in subsidiaries	**–**	–	**–**	3,094
– loans and advances to joint ventures and subsidiaries	**11**	–	**12**	55
– property, plant and equipment	**–**	830	**318**	–
– trade and other receivables:				
– contracts with customers	**437**	612	**–**	–
Rental income on land and buildings	**379**	385	**352**	359

* Amount less than RM1 million.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

27. FINANCING COSTS

In RM Mil	Group 2023	Group 2022	Company 2023	Company 2022
Recognised in the profit or loss:				
Continuing operations				
Interest expense of financial liabilities at amortised cost	**2,416**	2,683	**2,314**	2,388
Interest expense on lease liabilities	**838**	736	**381**	400
Other finance costs	**2,246**	1,510	**1,666**	838
	5,500	4,929	**4,361**	3,626
Discontinuing operations				
Interest expense of financial liabilities at amortised cost	**145**	70	**–**	–
Interest expense on lease liabilities	**146**	139	**–**	–
Other finance costs	**42**	88	**–**	–
	333	297	**–**	–
Capitalised into qualifying assets:				
– Term borrowings	**1,693**	1,181	**–**	–
– Lease liabilities	**120**	67	**–**	–
	1,813	1,248	**–**	–
Total financing costs	**7,646**	6,474	**4,361**	3,626

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

28. TAX EXPENSE

In RM Mil	Group 2023	Group 2022	Company 2023	Company 2022
Tax expense from continuing operations	**14,559**	34,173	**9,073**	10,315
Tax expense from discontinuing operations	**311**	165	**–**	–
Total tax expenses	**14,870**	34,338	**9,073**	10,315
Components of tax expense include:				
Current tax expenses				
Continuing operations				
Malaysia				
Current year	**21,912**	30,471	**9,913**	12,063
Prior year	**(4,149)**	(1,438)	**158**	(1,158)
Overseas				
Current year	**2,376**	3,299	**–**	–
Prior year	**13**	511	**–**	–
Discontinuing operations	**431**	340	**–**	–
Total current tax expenses	**20,583**	33,183	**10,071**	10,905
Deferred tax expenses				
Continuing operations				
Origination and reversal of temporary differences	**(5,407)**	1,403	**(1,000)**	(619)
(Over)/Under provision in prior year	**(186)**	(73)	**2**	29
Discontinuing operations	**(120)**	(175)	**–**	–
Total deferred tax (income)/expenses	**(5,713)**	1,155	**(998)**	(590)
Total tax expenses	**14,870**	34,338	**9,073**	10,315

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

28. TAX EXPENSE (continued)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

In RM Mil	%	2023	%	2022
Group				
Profit before taxation from:				
– continuing operations		**93,498**		131,978
– discontinuing operations		**2,086**		3,978
Profit before taxation		**95,584**		135,956
Taxation at Malaysian statutory tax rate	**24**	**22,940**	24	32,629
Effect of different tax rates in foreign jurisdictions	**1**	**651**	1	1,325
Effect of different tax rates between corporate income tax and petroleum income tax	**5**	**5,237**	4	5,905
Effect of differences in tax rates	**(3)**	**(2,429)**	(3)	(3,513)
Net non-deductible expenses	**3**	**3,163**	1	1,675
Tax exempt income	**(2)**	**(2,131)**	(1)	(1,476)
Tax incentives	**(1)**	**(1,519)**	–	(173)
Effect of deferred tax benefits not recognised	**(1)**	**(999)**	–	(597)
Effect of net deferred tax benefits previously not recognised	**(7)**	**(6,663)**	–	(347)
Reversal of deferred tax benefits previously recognised	**1**	**811**	–	–
Foreign exchange translation difference	**–**	**124**	–	(36)
	20	**19,185**	26	35,392
Over provision in prior years		**(4,315)**		(1,054)
Tax expense		**14,870**		34,338
Company				
Profit before taxation		**57,835**		70,132
Taxation at Malaysian statutory tax rate	**24**	**13,880**	24	16,832
Effect of different tax rates between corporate income tax and petroleum income tax	**5**	**3,166**	4	3,001
Net non-deductible expenses/(non-assessable income)	**1**	**737**	(1)	(794)
Tax exempt income	**(12)**	**(6,933)**	(10)	(7,248)
Effect of net deferred tax benefits previously not recognised	**(3)**	**(1,937)**	(1)	(347)
	15	**8,913**	16	11,444
Under/(Over) provision in prior years		**160**		(1,129)
Tax expense		**9,073**		10,315

In measuring the provision for taxation and deferred taxation at reporting date, the management applied judgments and estimates in relation to certain interpretation of tax legislation in arriving at the entities' tax position. Judgments and estimates are based on the current tax legislation and best available information as at the reporting date. The management continuously reassess its judgments and estimates whenever there is a change in circumstances.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

29. DIVIDENDS

2023

In RM Mil	Total
Dividend of RM350,000 per ordinary share	**35,000**
Dividend of RM50,000 per ordinary share	**5,000**
Total	**40,000**

2022

In RM Mil	Total
Dividend of RM250,000 per ordinary share	25,000
Dividend of RM250,000 per ordinary share	25,000
Total	50,000

The Directors had on 14 March 2024 declared a dividend of RM320,000 per ordinary share amounting to RM32 billion. The dividend will be recognised and accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2024.

30. NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES

The cash (used in)/generated from investing activities comprise:

	Group		Company	
In RM Mil	2023	2022	2023	2022
Acquisition of:				
– subsidiaries, net of cash acquired (Note 32)	**(1,380)**	(11,107)	**–**	–
– additional shares in subsidiaries	**–**	–	**(12,260)**	(7,076)
Contribution to Decarbonisation Fund	**–**	–	**(20,102)**	–
Dividends received	**680**	850	**27,326**	28,074
Investments in:				
– associates and joint ventures	**(2,905)**	(710)	**–**	–
– securities and other investments	**(13,958)**	(3,681)	**(5,553)**	(1,147)
Long-term receivables and advances paid by/(to):				
– subsidiaries	**–**	–	**6,368**	25,704
– joint arrangements	**(137)**	–	**(216)**	–
Proceeds from disposal/partial disposal of:				
– investments in subsidiaries and a business, net of cash disposed	**593**	257	**–**	225
– investments in associates	**–**	829	**–**	–
– property, plant and equipment and intangible assets	**1,117**	8,480	**–**	1
– securities and other investments	**5,093**	3,494	**2,121**	785
Purchase of property, plant and equipment, investment properties, intangible assets and land held for development	**(48,399)**	(37,843)	**(644)**	(815)
Redemption of preference shares in a subsidiary	**–**	–	**1,254**	1,272
	(59,296)	(39,431)	**(1,706)**	47,023

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

31. NET CASH USED IN FINANCING ACTIVITIES

The cash used in financing activities comprise:

	Group		Company	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Dividends paid	**(40,000)**	(50,000)	**(40,000)**	(50,000)
Dividends paid to non-controlling interests	**(7,262)**	(6,039)	**–**	–
Drawdown of:				
– term loans	**8,783**	12,571	**–**	–
– Islamic financing facilities	**325**	612	**–**	–
– revolving credits	**6,121**	7,407	**1,175**	–
– Notes and Bonds	**–**	4,413	**–**	–
– bankers' acceptances	**1,341**	730	**–**	–
Payment of lease liabilities*	**(5,714)**	(4,024)	**(896)**	(865)
Repayment of:				
– term loans	**(8,855)**	(17,813)	**–**	–
– Islamic financing facilities	**(781)**	(955)	**–**	–
– revolving credits	**(4,447)**	(7,915)	**(1,168)**	–
– Notes and Bonds	**–**	(7,699)	**–**	(7,550)
– bankers' acceptances	**(1,358)**	(552)	**–**	–
Payment to non-controlling interests on redemption of redeemable preference shares	**(660)**	(855)	**–**	–
Payment to non-controlling interests on additional equity interests	**(591)**	–	**(591)**	–
Proceeds from partial disposal of equity interest to non-controlling interests	**–**	235	**–**	–
	(53,098)	(69,884)	**(41,480)**	(58,415)

* Payment of lease liabilities comprises principal and interest paid in relation to lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

31. NET CASH USED IN FINANCING ACTIVITIES (continued)

Reconciliation of movement of liabilities to cash flows arising from financing activities:

2023 *In RM Mil*	**Group Borrowings**	**Company Borrowings**
Balance at 1 January 2023	**104,157**	**62,082**
Changes from financing cash flows		
(Repayment)/Drawdown of:		
– term loans	**(72)**	**–**
– Islamic financing facilities	**(456)**	**–**
– revolving credits	**1,674**	**7**
– bankers' acceptances	**(17)**	**–**
– lease liabilities	**(5,714)**	**(896)**
Total changes from financing cash flows	**(4,585)**	**(889)**
Changes arising from obtaining control of subsidiaries and classification to liabilities held for sale		
– term loans	**622**	**–**
– lease liabilities	**6**	**–**
	628	**–**
The effect of changes in foreign exchange rates		
– term loans	**1,045**	**–**
– Islamic financing facilities	**(134)**	**–**
– revolving credits	**53**	**(7)**
– Notes and Bonds	**2,622**	**2,297**
– bankers' acceptances	**1**	**–**
– lease liabilities	**2,157**	**–**
	5,744	**2,290**
Other liability-related changes		
– acquisition of new leases	**4,369**	**163**
– remeasurement of lease liabilities	**204**	**188**
– financing costs	**1,104**	**409**
Total other liability-related changes	**5,677**	**760**
Balance at 31 December 2023	**111,621**	**64,243**

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

31. NET CASH USED IN FINANCING ACTIVITIES (continued)

2022 *In RM Mil*	**Group Borrowings**	**Company Borrowings**
Balance at 1 January 2022	107,831	66,577
Changes from financing cash flows		
(Repayment)/Drawdown of:		
– term loans	(5,242)	–
– Islamic financing facilities	(343)	–
– revolving credits	(508)	–
– Notes and Bonds	(3,286)	(7,550)
– bankers' acceptances	178	–
– lease liabilities	(4,024)	(865)
– bank overdrafts	999	–
Total changes from financing cash flows	(12,226)	(8,415)
Changes arising from obtaining control of a subsidiary and classification to liabilities held for sale		
– term loans	(995)	–
– lease liabilities	(1,240)	–
– bank overdrafts	(1,003)	–
	(3,238)	–
The effect of changes in foreign exchange rates		
– term loans	609	–
– Islamic financing facilities	(7)	–
– revolving credits	23	–
– Notes and Bonds	3,561	3,241
– bankers' acceptances	(1)	–
– lease liabilities	2,179	–
– bank overdrafts	2	–
	6,366	3,241
Other liability-related changes		
– acquisition of new leases	4,441	163
– remeasurement of lease liabilities	41	91
– financing costs	942	425
Total other liability-related changes	5,424	679
Balance at 31 December 2022	104,157	62,082

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

32. ACQUISITION OF SUBSIDIARIES

Acquisition in 2023

On 2 December 2022, PETRONAS via its wholly-owned subsidiary, Gentari Renewables Australia (Solar) Pty Ltd ("GRAS"), a wholly-owned subsidiary of Gentari Sdn. Bhd., signed a series of Share Sale Agreements for the acquisition of equity interests in WIRSOL Energy's renewables assets ("WIRSOL entities") from WIRCON Group of companies ("Seller").

On 13 February 2023, GRAS has fulfilled all the required conditions precedent to complete the acquisition. Following the completion, WIRSOL entities which are now known as Gentari Solar Australia ("GSA entities"), have become subsidiaries of GRAS.

Purchase price allocation

As at reporting date, a provisional purchase price allocation for the acquisition has been performed whereby the fair value of the net assets and goodwill were updated based on provisional valuation of GSA entities which resulted in the recognition of fair value for certain assets along with the corresponding deferred tax assets. The goodwill reflects the synergy that GSA entities will contribute to the Group.

The net effect arising from this acquisition is not material in relation to the consolidated net profit of the Group for the year.

The effects of acquisition on the cash flows and fair values of assets and liabilities acquired are as follows:

In RM Mil	**At fair value**
Property, plant and equipment	**1,591**
Deferred tax assets	**113**
Other assets	**497**
Deferred tax liabilities	**(190)**
Other liabilities	**(1,061)**
Net identifiable assets and liabilities	**950**
Add: Goodwill on acquisition (Note 9)	**519**
Purchase consideration	**1,469**
Less: Cash and cash equivalents acquired	**(89)**
Purchase consideration, net of cash acquired (Note 30)	**1,380**

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

32. ACQUISITION OF SUBSIDIARIES (continued)

Acquisition in 2022

In 2022, PETRONAS via its partly-owned subsidiary, PETRONAS Chemicals International B.V. ("PCIBV"), a wholly-owned subsidiary of PETRONAS Chemicals Group Berhad ("PCG"), acquired 100% equity interests in Perstorp Holding AB ("Perstorp").

On 11 October 2022, PCG has fulfilled all the required conditions precedent and paid purchase price of EUR1,612.8 million to the Seller, satisfied wholly in cash, to complete the acquisition. Following this completion, Perstorp has become an indirect wholly-owned subsidiary of PCG.

Purchase price allocation

As at 31 December 2022, a provisional purchase price allocation for the acquisition has been performed whereby the fair value of the net assets and goodwill were updated based on provisional valuation of Perstorp which resulted in the recognition of intangible assets and fair value for certain tangible assets along with the corresponding deferred tax liabilities. The intangible assets relate to the fair value of trademarks, patents and know-how, customer relations and other intangibles, whilst the goodwill reflects the synergy that Perstorp will contribute to the Group.

The effect of acquisitions on the cash flows and fair values of assets and liabilities acquired are as follows:

In RM Mil	**At fair value**
Property, plant and equipment	3,797
Intangible assets	5,833
Deferred tax assets	265
Other non-current assets	133
Trade and other inventories	1,206
Trade and other receivables	670
Tax recoverable	7
Cash and cash equivalents	468
Borrowings	(4,092)
Lease liabilities	(37)
Deferred tax liabilities	(1,694)
Other non-current liabilities	(351)
Trade and other payables	(1,370)
Taxation	(10)
Net identifiable assets and liabilities	4,825
Less: Non-controlling interest	(195)
Add: Goodwill on acquisition (Note 9)	2,885
Purchase consideration	7,515
Add: Settlement of existing loans	4,060
Payment for acquisition	11,575
Less: Cash and cash equivalents acquired	(468)
Purchase consideration, net of cash acquired (Note 30)	11,107

The fair value of the net identifiable assets and goodwill has been finalised during the year. The goodwill reflects the synergy that Perstorp will contribute to the Group.

The net effect arising from finalisation of purchase price allocation is not material in relation to the consolidated net profit of the Group for the year.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

33. DISPOSAL OF SUBSIDIARIES

On 12 December 2022, PETRONAS via its wholly-owned subsidiary, PETRONAS (E&P) Overseas Venture Sdn. Bhd., signed a Sales and Purchase Agreement for the sale of its entire stake in PETRONAS Carigali Chad Exploration & Production Inc. and its subsidiaries ("Chad entities").

The divestment was completed in May 2023. The net effect arising from the disposal of Chad entities is not material in relation to the net consolidated profit of the Group.

34. COMMITMENTS

Outstanding commitments in respect of capital expenditure at the end of the reporting year not provided for in the financial statements are:

	Group		**Company**	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Capital expenditure*				
Approved and contracted for				
Less than one year	**31,474**	25,153	**435**	754
Between one and five years	**35,617**	30,017	**1,011**	1,410
	67,091	55,170	**1,446**	2,164
Approved but not contracted for				
Less than one year	**19,747**	22,295	**807**	26,269
Between one and five years	**83,539**	76,077	**2,851**	2,327
More than five years	**3,569**	3,467	**–**	–
	106,855	101,839	**3,658**	28,596
	173,946	157,009	**5,104**	30,760
Share of capital expenditure of associates and joint ventures				
Approved and contracted for				
Less than one year	**2,995**	3,174	**–**	–
Between one and five years	**1,396**	2,016	**–**	–
More than five years	**96**	105	**–**	–
	4,487	5,295	**–**	–
Approved but not contracted for				
Less than one year	**2,219**	1,923	**–**	–
Between one and five years	**18,533**	7,340	**–**	–
	20,752	9,263	**–**	–
	25,239	14,558	**–**	–
	199,185	171,567	**5,104**	30,760

* Includes right-of-use assets committed but not commenced and investment in shares.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

35. CONTINGENT LIABILITIES

Contingent liabilities for material litigation

In the normal course of business, the Group is subject to several contingencies arising from litigations and claims brought by various parties. The Group has no material contingent liabilities since the last audited financial statements for the year ended 31 December 2022.

Exposure to insurance contracts

Other than those disclosed elsewhere in the financial statements, the Group and the Company had entered into agreements which may include agreements where the Company accepts insurance risks by agreeing to compensate third party if a specified uncertain future event adversely affect the guaranteed entities in the normal and on-going business requirements, consistent with generally acceptable and recognised industry practices. The exposure of the Group and the Company is therefore triggered upon the default by the guaranteed entities' obligations under the contracts. As at 31 December 2023, there were no exposures on the default of the guaranteed entities' obligations under the contracts.

36. RELATED PARTY DISCLOSURES

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly and an entity that provides key management personnel services to the Group and the Company. The key management personnel include all the Directors of the Company.

The Company's related parties include key management personnel, subsidiaries, associates, joint ventures as well as the Government of Malaysia and its related entities as the Company is wholly-owned by the Government of Malaysia.

Key management personnel compensation

	Group and Company	
In RM Mil	**2023**	**2022**
Director fees, emoluments, gratuity and benefit plan	**23**	17

The estimated monetary value of Directors' benefits-in-kind is RM104,000 (2022: RM95,000).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

36. RELATED PARTY DISCLOSURES (continued)

Significant transactions with related parties

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

Group *In RM Mil*	**2023**	**2022**
Federal and State Governments of Malaysia:		
Cash payments	**(12,402)**	(14,512)
Lease income	**1,266**	1,289
Sales of petroleum products	**421**	475
Sales of utilities	**182**	183
Project management income and building maintenance	**339**	311
Government of Malaysia's related entities:		
Sales of petroleum products, petrochemical products and processed gas	**12,178**	10,560
Other income	**221**	221
Purchase of utilities	**(268)**	(202)
Associate companies:		
Sales of petrochemical products and processed gas	**9,603**	9,248
Joint arrangements:		
Sales of industrial utilities	**1,922**	1,116
Sales of petrochemical products	**721**	762
Site services charges	**392**	165
Purchase of petroleum products, petrochemical products and crude oil	**(12,278)**	(6,323)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

36. RELATED PARTY DISCLOSURES (continued)

Significant transactions with related parties (continued)

Company *In RM Mil*	**2023**	**2022**
Federal and State Governments of Malaysia:		
Cash payments	**(12,402)**	(14,512)
Subsidiaries:		
Sales of crude oil, petroleum products, processed gas and natural gas	**107,122**	106,373
Interest income from subsidiaries	**2,550**	2,121
Purchase of crude oil, natural gas and liquefied natural gas	**(37,954)**	(55,765)
Gas processing and transportation fee payable	**(2,731)**	(2,127)
Centralised head office services charges	**918**	690
Research cess	**193**	225
Supplemental payments and signature bonus	**1,890**	4,405
Abandonment cess		
– paid	**(1,547)**	(1,751)
– received	**1,654**	1,828
Decarbonisation fund		
– paid	**(25,000)**	–
– received	**4,898**	–
Joint ventures:		
Gas processing fee	**(12)**	(20)

Information regarding outstanding balances arising from related party transactions as at 31 December 2023 are disclosed in Note 10, Note 15 and Note 24.

Information regarding impairment losses on receivables and bad debts written off during the financial year are disclosed in Note 26.

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business and have been established on a commercial basis. The above has been stated at contracted amount.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

37. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION

As at 31 December 2023, the Group's reportable segments comprise Upstream, Gas and Downstream. Each reportable segment offers different products and services and are managed separately because they require different technology and marketing strategies. Effective third quarter of 2023, there has been a change in the way certain activities are being managed. Accordingly, the Group has restated the operating segment information for the prior year.

The following summary describes the operations in each of the Group's reportable segments:

- Upstream – activities include oil and natural gas exploration, development and production, together with related pipeline and transportation activities.
- Gas – activities include purchase of natural gas from Upstream, liquefaction and processing of natural gas, transportation of processed gas, regasification of liquefied natural gas ("LNG"), as well as manufacturing, marketing and supplying of industrial utilities.
- Downstream – activities include the supply and trading, refining, manufacturing, marketing and transportation of crude oil, petroleum and petrochemical products.

Corporate and others comprise primarily logistic and maritime segment, property segment, clean energy solutions segment as well as central treasury, project delivery and technology functions.

For each of the reportable segment, the Group chief operating decision maker, which in this case is the PETRONAS Executive Leadership Team, reviews internal management reports at least on a quarterly basis.

There are varying levels of integration between Upstream segment, Gas segment, Downstream segment and others. This integration includes transfers of products and services between segments.

Inter-segment pricing is established on a commercial basis.

Inter-segment revenues include sales of crude oil and condensates, petroleum products, gas and shipping services between business segments. These transactions are eliminated on consolidation.

Performance is measured based on segment profit after tax ("PAT"), as included in the internal management reports. Segment PAT is used to measure performance as the PETRONAS Executive Leadership Team believes that such information is the most relevant in evaluating the results of the segments.

Segment assets are measured based on total assets (including goodwill) of a segment, as included in the internal management reports and are used to measure the return of assets of each segment.

Segment liabilities information is neither included in the internal management reports nor provided regularly to the PETRONAS Executive Leadership Team. Hence, no disclosure is made on segment liabilities.

Segment capital expenditure is the total cost incurred during the financial year to acquire non-current assets other than financial instruments and deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

37. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION (continued)

Group 2023 *In RM Mil*	Upstream	Gas	Downstream	Corporate and others	Consolidation adjustments and eliminations	Total
Revenue						
Third parties	**41,577**	**101,463**	**179,992**	**20,565**	**–**	**343,597**
Inter-segment	**100,269**	**14,029**	**5,422**	**7,394**	**(127,114)**	**–**
Total revenue	**141,846**	**115,492**	**[a]185,414**	**27,959**	**(127,114)**	**343,597**
Reportable segment profit	**39,578**	**30,352**	**[a]7,097**	**4,209**	**(522)**	**80,714**
Included in the measure of segment profit are:						
Depreciation and amortisation	**(23,501)**	**(5,527)**	**(5,386)**	**(3,754)**	**381**	**(37,787)**
Net impairment (losses and write-off)/reversals of assets and well costs[b]	**(4,523)**	**(86)**	**(2,521)**	**1,006**	**(1,499)**	**(7,623)**
Interest income	**2,009**	**1,696**	**865**	**9,746**	**(2,753)**	**11,563**
Financing costs	**(4,174)**	**(1,869)**	**(1,091)**	**(3,630)**	**4,931**	**(5,833)**
Share of profit/(loss) after tax and non-controlling interests of equity accounted associates and joint ventures	**–**	**502**	**275**	**104**	**(9)**	**872**
Tax (expense)/credit	**(16,599)**	**(2,188)**	**4,468**	**(393)**	**(158)**	**(14,870)**
Segment assets	**231,564**	**156,101**	**167,950**	**317,954**	**(100,268)**	**773,301**
Included in the measure of segment assets are:						
Investments in associates and joint ventures	**1**	**2,370**	**4,134**	**3,863**	**–**	**10,368**
Additions to non-current assets other than financial instruments and deferred tax assets	**27,105**	**9,434**	**5,753**	**10,481**	**–**	**52,773**

[a] Includes revenue and profit from discontinuing operations of RM37,842 million and RM1,775 million respectively.
[b] Includes loss on remeasurement of financial assets measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

37. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION (continued)

Group 2022 Restated[a] *In RM Mil*	Upstream	Gas	Downstream	Corporate and others	Consolidation adjustments and eliminations	Total
Revenue						
Third parties	60,458	122,749	171,849	17,218	–	372,274
Inter-segment	97,198	14,871	10,415	5,816	(128,300)	–
Total revenue	157,656	137,620	[b]182,264	23,034	(128,300)	372,274
Reportable segment profit	51,766	43,219	[b]7,514	3,596	(4,477)	101,618
Included in the measure of segment profit are:						
Depreciation and amortisation	(20,357)	(5,860)	(4,726)	(3,426)	424	(33,945)
Net impairment reversals/(losses/write-off) and well costs[c]	(2,551)	2,341	(2,570)	2,349	(2,726)	(3,157)
Interest income	1,365	666	540	5,520	(2,414)	5,677
Financing costs	(2,912)	(1,714)	(802)	(2,788)	2,990	(5,226)
Share of profit/(loss) after tax and non-controlling interests of equity accounted associates and joint ventures	–	1,099	(101)	(30)	–	968
Tax expense	(23,889)	(9,689)	(976)	(511)	727	(34,338)
Segment assets	214,486	151,162	158,729	279,486	(93,293)	710,570
Included in the measure of segment assets are:						
Investments in associates and joint ventures	*–	2,215	4,078	1,821	–	8,114
Additions to non-current assets other than financial instruments and deferred tax assets	23,692	5,633	16,392	4,411	–	50,128

[a] Certain prior year information has been restated to conform with current year presentation.
[b] Includes revenue and profit from discontinuing operations of RM42,265 million and RM3,813 million respectively.
[c] Includes loss on derecognition of financial assets measured at amortised cost.
* Amount less than RM1 million.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

37. OPERATING SEGMENTS, PRODUCTS AND SERVICES AND GEOGRAPHICAL INFORMATION (continued)

Products and services information

The following are revenue from external customers by products and services:

Group *In RM Mil*	2023	2022
Petroleum products	**132,455**	128,865
Crude oil and condensates	**38,727**	49,233
Liquefied natural gas	**74,055**	98,151
Natural and processed gas	**38,203**	39,364
Petrochemical products	**27,862**	28,296
Shipping services	**4,394**	3,320
Investment income	**9,704**	4,355
Others	**18,197**	20,690
	343,597	372,274

Geographical information

Geographical revenue is determined based on location of customers. The amounts presented in non-current assets are based on the geographical location of the assets and do not include financial instruments, investments in associates and joint ventures nor deferred tax assets.

Group *In RM Mil*	Revenue[c] 2023	 2022
Asia[a]	**134,942**	159,099
Malaysia	**107,768**	93,635
Africa	**42,779**	48,090
Rest of the world[b]	**58,108**	71,450
	343,597	372,274

Group *In RM Mil*	Non-current assets 2023	 2022
Malaysia	**234,734**	224,087
Rest of the world	**135,841**	116,049
	370,575	340,136

Major customers

As at 31 December 2023 and 31 December 2022, there are no major customers that contribute to more than 10 percent of the Group's revenue.

[a] Excludes Malaysia.
[b] Comprises revenue that is not material by individual country.
[c] Includes revenue from discontinuing operations of RM37,842 million (2022: RM42,265 million).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

38. PETROLEUM ARRANGEMENTS

The Petroleum Development Act, 1974 vests the entire ownership, rights, powers, liberties and privileges of exploiting petroleum resources on land and offshore Malaysia in PETRONAS. In addition, the Group via its subsidiaries participated in various petroleum arrangements outside Malaysia as contractors.

Production Sharing Contracts ("PSCs")

Malaysia

The monetisation of petroleum resources is carried out primarily by means of PSCs between PETRONAS, its subsidiaries and other oil and gas companies ("PSC Contractors"). Under the terms of the various PSCs, the PSC Contractors shall bear all the costs and may recover their costs in barrels of crude oil or gas equivalent in accordance with the terms of their respective PSCs.

Certain terms of the PSCs are:

(i) Research cess, supplemental payments and crude oil or gas entitlement

The determination of research cess, supplemental payments and PETRONAS' and the PSC Contractors' entitlements to crude oil or gas produced is based on the method of valuation of crude oil or gas and the costs incurred and claimed by contractors subject to the maximum rate provided under the respective PSCs. PETRONAS' entitlements to crude oil and natural gas are taken up as income on the basis of liftings and sales respectively made by the Company. Research cess and supplemental payments are not applicable for certain PSCs that are reaching tail-end of production life cycle.

(ii) Property, plant and equipment and intangible assets

Title to all equipment and other assets purchased or acquired by PSC Contractors exclusively for the purpose of petroleum operations, and which costs are recoverable in barrels of cost oil or gas equivalent, is vested with PETRONAS. However, the values of these assets are not taken up in the financial statements of the Group other than:

- the property, plant and equipment of a subsidiary which is also a contractor to PETRONAS under certain PSCs; and
- the estimated costs of decommissioning and removing the assets and restoring the site on which they are located where there is an obligation to do so.

(iii) Abandonment

The PSCs stipulate the rights and obligations of PETRONAS and the PSC Contractors in relation to the abandonment of the oil and gas properties. The PSC Contractors have the obligation to undertake abandonment activities during the PSCs period except for certain PSCs or facilities where the abandonment obligation lies with PETRONAS.

In addition, the PSC Contractors are also required to make abandonment cess contribution to the Abandonment Cess Fund via PETRONAS in accordance with the terms of the PSCs. The PSC Contractors have the right to request PETRONAS to reimburse the abandonment cess up to the cumulative amount paid upon the execution of the abandonment activities.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

38. PETROLEUM ARRANGEMENTS (continued)

Production sharing contracts ("PSCs") (continued)

Outside Malaysia

The international PSC arrangements, where the Group acts as a contractor, has largely similar arrangements as per Malaysia PSCs subject to the relevant laws and regulations in the respective countries. In respect of abandonment for most of the countries, the Group makes contribution into escrow accounts/any other approved accounts.

Service contracts

Risk Service Contract ("RSC") Malaysia

Under the terms of the RSC, RSC contractors provide services for the development and production of oil and gas resources on behalf of PETRONAS, in return for cost reimbursement upon commercial production and performance based remuneration fees. PETRONAS retains ownership of the assets and crude oil and gas produced. This arrangement ceased to exist in Malaysia with the termination of the last Malaysian RSC during the year.

Development and Production Service Contracts ("DPSCs")

Under the terms of DPSCs, the subsidiaries of the Group act as contractors that provide services for development and production of oil and gas resources on behalf of host authority.

Certain terms of DPSCs are:

(i) Crude oil and gas entitlement

DPSC contractors shall incur all upfront costs during the initial period of investment and will be reimbursed once the contractual obligation upon production of crude oil and gas is met. Under the terms of DPSCs, the host authority owns the title to all equipment and other assets acquired by the contractors during the contractual period of the DPSCs.

Contractors are entitled to recover their expenditure incurred in relation to the petroleum operations of the DPSCs, based on the provisions stipulated in the DPSCs.

Contractors are also entitled to remuneration fees which commensurate with their performance as stipulated in the provision of the DPSCs.

All barrels of crude oil and gas produced belong to the host authority. The Group's entitlements to oil and gas are recognised as revenue based on two elements; costs reimbursement and remuneration fees.

(ii) Intangible assets and other financial assets

Title to all equipment and other assets constructed belong to the host authority and contractually, the contractors acquire the right to use these assets for the duration specified under the DPSCs. The right to use these assets is recognised in the financial statements of the Group as intangible assets, as per accounting policies set out in Note 2.9.

In circumstances where the contractors have the right to receive cash or other financial assets for their services from or at the discretion of the host authority, these assets are recognised as trade receivables.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

38. PETROLEUM ARRANGEMENTS (continued)

Concession Agreements

Under the terms of Concession Agreements, the subsidiaries of the Group participate in Consortium Agreements for the rights to carry out exploration and exploitation activities. The consortium bears all costs as outlined in the Annual Work Program and Budget. Title to all equipment and other assets purchased and acquired by the consortium for the purpose of petroleum operations will remain with the consortium for the duration of the Concession Agreements and the equity value of the assets is recognised in the financial statements of the relevant subsidiaries of the Group as property, plant and equipment as per accounting policies set out in Note 2.4.

Upon production, the title to the crude oil and gas produced to which the consortium is entitled to, shall pass to the consortium at the point of production at the wellhead. Each member of the consortium shall own and may separately take or dispose of its own share of the crude oil.

The consortium shall pay the host authority a royalty on the consortium's total production of the crude oil and gas for each calendar month in-kind or in-cash. By virtue of its petroleum operations, the consortium is subject to direct tax on profits, where each member of the consortium shall separately calculate its taxable income and shall remain responsible for its own corporate income tax return.

39. FINANCIAL INSTRUMENTS

Categories of financial instruments

The following table provides an analysis of financial instruments categorised as follows:

(i) Fair value through profit or loss ("FVTPL")

- Mandatorily required by MFRS 9
- Designated upon initial recognition
- Derivatives designated as hedging instruments

(ii) Fair value through other comprehensive income ("FVOCI")

- Equity instrument designated upon initial recognition ("EIDUIR")

(iii) Amortised cost

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments (continued)

Group 2023 *In RM Mil*	Note	FVTPL	FVOCI - EIDUIR	Derivatives designated as hedging instruments	Amortised cost	Total carrying amount
Financial assets						
Long-term receivables	*	**–**	**–**	**776**	**26,778**	**27,554**
Fund and other investments	11	**11,655**	**1,820**	**–**	**8,923**	**22,398**
Trade and other receivables	*	**778**	**–**	**702**	**49,382**	**50,862**
Cash and cash equivalents	16	**–**	**–**	**–**	**208,492**	**208,492**
		12,433	**1,820**	**1,478**	**293,575**	**309,306**
Financial liabilities						
Borrowings	*	**–**	**–**	**–**	**(94,580)**	**(94,580)**
Other long-term liabilities	*	**(4)**	**–**	**(9)**	**(5,816)**	**(5,829)**
Trade and other payables	*	**(198)**	**–**	**(154)**	**(57,505)**	**(57,857)**
		(202)	**–**	**(163)**	**(157,901)**	**(158,266)**
2022						
Financial assets						
Long-term receivables	*	–	–	1,014	21,342	22,356
Fund and other investments	11	11,022	1,348	–	–	12,370
Trade and other receivables	*	1,309	–	1,598	46,317	49,224
Cash and cash equivalents	16	–	–	–	201,220	201,220
		12,331	1,348	2,612	268,879	285,170
Financial liabilities						
Borrowings	*	–	–	–	(89,084)	(89,084)
Other long-term liabilities	*	(13)	–	(33)	(4,460)	(4,506)
Trade and other payables	*	(508)	–	(61)	(49,353)	(49,922)
		(521)	–	(94)	(142,897)	(143,512)

* These balances exclude non-financial instruments balances.

Certain fund and other investments have been designated at fair value through profit or loss upon initial recognition as management internally monitors these investments on fair value basis.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments (continued)

Company 2023 *In RM Mil*	Note	FVTPL	FVOCI - EIDUIR	Derivatives designated as hedging instruments	Amortised cost	Total carrying amount
Financial assets						
Long-term receivables	*	**53,492**	**–**	**–**	**55,948**	**109,440**
Fund and other investments	11	**6,698**	**73**	**–**	**3,796**	**10,567**
Trade and other receivables	*	**151**	**–**	**632**	**27,022**	**27,805**
Cash and cash equivalents	16	**–**	**–**	**–**	**75,160**	**75,160**
		60,341	**73**	**632**	**161,926**	**222,972**
Financial liabilities						
Borrowings	*	**–**	**–**	**–**	**(57,192)**	**(57,192)**
Other long-term liabilities	*	**–**	**–**	**–**	**(14,300)**	**(14,300)**
Trade and other payables	*	**(143)**	**–**	**–**	**(21,536)**	**(21,679)**
		(143)	**–**	**–**	**(93,028)**	**(93,171)**
2022						
Financial assets						
Long-term receivables	*	29,259	–	–	58,195	87,454
Fund and other investments	11	6,949	73	–	–	7,022
Trade and other receivables	*	66	–	626	27,985	28,677
Cash and cash equivalents	16	–	–	–	91,167	91,167
		36,274	73	626	177,347	214,320
Financial liabilities						
Borrowings	*	–	–	–	(54,871)	(54,871)
Other long-term liabilities	*	–	–	–	(12,666)	(12,666)
Trade and other payables	*	(78)	–	–	(23,305)	(23,383)
		(78)	–	–	(90,842)	(90,920)

* These balances exclude non-financial instruments balances.

Certain fund and other investments have been designated at fair value through profit or loss upon initial recognition as management internally monitors these investments on fair value basis.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Financial risk management

As an integrated oil and gas company, the Group and the Company are exposed to various risks that are particular to its core business operations. These risks, which arise in the normal course of the Group's and of the Company's business, comprise counterparty credit risk, liquidity risk and market risk relating to interest rates, foreign exchange risk and price risk.

The Group has policies, standards and guidelines in place that sets the foundation for a consistent approach towards establishing an effective integrated financial risk management across the Group.

Risk taking activities are undertaken within acceptable level of risk or risk appetite, whereby the risk appetite level reflects business considerations and capacity to assume such risks. The risk appetite is established at Board level, where relevant, based on defined methodology and translated into operational thresholds.

The Group's and the Company's goal in risk management are to ensure that the management understands, measures, monitors and reports the financial risks that arise in connection with their operations. The policies, standards and guidelines have been developed to identify, analyse, appraise, monitor and report the dynamic risks facing the Group and the Company. Based on this assessment, each business unit adopts appropriate measures to mitigate these risks in accordance with the business unit's view of the balance between risk and reward.

Credit risk

Counterparty credit risk refers to risk of loss resulting from a counterparty failing to perform its contractual financial obligation or making payment for goods and services, due to circumstances such as bankruptcy, financial constraints, political restrictions and government directives.

The Group's and the Company's exposures to credit risk arise principally from their receivables from third party customers, fund and other investments and financial guarantees given to financial institutions for credit facilities granted to subsidiaries, joint arrangements and associates. Credit risks are controlled in accordance with PETRONAS' policies, standards and guidelines implemented across PETRONAS Group.

(i) Receivables and contract assets

Risk management objectives, policies and processes for managing the risk

The Group and the Company minimise credit risk by ensuring that all potential third party counterparties are assessed prior to registration and entering into new contracts. Existing third party counterparties are also subject to regular reviews, including reappraisal and approval of granted limits where applicable. The creditworthiness of counterparties is assessed based on an analysis of all available quantitative and qualitative data regarding business risks and financial standing, together with the review of any relevant third party and market information. Reports are prepared and presented to the management that cover the Group's overall credit exposure against portfolio level risk appetite.

Depending on the types of transactions and counterparty creditworthiness, the Group and the Company further mitigate credit risk by requiring collateral or other credit enhancements such as cash deposits, letter of credit and bank guarantees.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values.

At each reporting date, the Group and the Company assess whether any of the receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired receivables and contract assets are written off (either partially or fully) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, receivables and contract assets that are written off could still be subject to enforcement activities.

39. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

(i) Receivables and contract assets (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables and contract assets are represented by the carrying amounts in the statement of financial position.

At each reporting date, the Group and the Company assess whether financial assets are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

(i) significant financial difficulty of the customer; or

(ii) a breach of contract such as a default; or

(iii) it is probable that the customer will enter bankruptcy or other financial reorganisation.

Concentration of credit risk

Exposure to losses increases with concentrations of credit risk which may exist when a number of counterparties are involved in similar activities or operate in the same industry sector or geographical area, which may result in their ability to meet contractual obligations being impacted by changes in economic, political or other conditions. The Group's principal customers with which it conducts business are located globally and there is no significant concentration of credit risk at reporting date.

Recognition and measurement of impairment losses

In managing credit risk of receivables and contract assets, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances.

The Group and the Company perform credit rating assessment of all its counterparties in order to measure Expected Credit Loss ("ECL") of receivables for all segments using the PETRONAS Credit Risk Rating system. This credit rating assessment considers quantitative assessment using the counterparties' financial statements or a qualitative assessment of the counterparties which includes but is not limited to their reputation, competitive position, industry and geopolitical outlook.

In determining the ECL, the probability of default assigned to each counterparty is based on their individual credit rating. This probability of default is derived by benchmarking against available third party and market information, which also incorporates forward looking information.

Loss given default is the assumption of the proportion of financial assets that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Group's and the Company's historical experience.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

(i) Receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

The following table provides information about the exposure to credit risk and ECL for trade receivables, amounts due from associates and joint arrangements, contract assets, finance lease receivables and derivative financial assets as at the reporting date which are grouped together as they are expected to have similar risk nature.

Group 2023 *In RM Mil*	**Note**	**Gross carrying amount**	**Allowance for impairment losses**	**Net balance**
Credit Risk Rating				
Sovereign		**258**	**–**	**258**
Excellent		**3,741**	**–**	**3,741**
Good		**44,420**	**(64)**	**44,356**
Fair		**18,217**	**(1,484)**	**16,733**
		66,636	**(1,548)**	**65,088**
Credit impaired				
Individually impaired		**932**	**(932)**	**–**
		67,568	**(2,480)**	**65,088**
Representing				
Trade receivables	15	**30,802**	**(855)**	**29,947**
Amounts due from associates and joint arrangements	*	**12,150**	**(1,152)**	**10,998**
Contract assets	10,15	**9,166**	**–**	**9,166**
Finance lease receivables	10,15	**13,194**	**(473)**	**12,721**
Derivative financial assets	12	**2,256**	**–**	**2,256**
		67,568	**(2,480)**	**65,088**

* These balances exclude non-financial instruments balances.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

(i) Receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

Group 2022 *In RM Mil*	**Note**	**Gross carrying amount**	**Allowance for impairment losses**	**Net balance**
Credit Risk Rating				
Sovereign		308	–	308
Excellent		2,797	–	2,797
Good		44,632	(113)	44,519
Fair		17,256	(952)	16,304
		64,993	(1,065)	63,928
Credit impaired				
Individually impaired		1,001	(1,001)	–
		65,994	(2,066)	63,928
Representing				
Trade receivables	15	33,304	(926)	32,378
Amounts due from associates and joint arrangements	*	8,413	(879)	7,534
Contract assets	10,15	6,859	–	6,859
Finance lease receivables	10,15	13,497	(261)	13,236
Derivative financial assets	12	3,921	–	3,921
		65,994	(2,066)	63,928

* These balances exclude non-financial instruments balances.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

(i) Receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

Company 2023 *In RM Mil*	Note	Gross carrying amount	Allowance for impairment losses	Net balance
Credit Risk Rating				
Sovereign		**140**	**–**	**140**
Excellent		**498**	***–**	**498**
Good		**18,376**	**(46)**	**18,330**
Fair		**352**	**(17)**	**335**
		19,366	**(63)**	**19,303**
Representing				
Trade receivables	15	**2,065**	**(7)**	**2,058**
Amounts due from subsidiaries	15	**14,809**	**(1)**	**14,808**
Trade receivables from a subsidiary	10	**1,595**	**(43)**	**1,552**
Amounts due from joint arrangements		**114**	**(12)**	**102**
Derivative financial assets	12	**783**	**–**	**783**
		19,366	**(63)**	**19,303**

Company 2022 *In RM Mil*	Note	Gross carrying amount	Allowance for impairment losses	Net balance
Credit Risk Rating				
Sovereign		165	–	165
Excellent		137	*–	137
Good		18,587	(45)	18,542
Fair		940	(15)	925
		19,829	(60)	19,769
Representing				
Trade receivables	15	3,133	(6)	3,127
Amounts due from subsidiaries	15	14,204	(1)	14,203
Trade receivables from a subsidiary	10	1,677	(42)	1,635
Amounts due from joint arrangements	10	123	(11)	112
Derivative financial assets		692	–	692
		19,829	(60)	19,769

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is equal to the carrying amount.

* Amount less than RM1 million.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

(i) Receivables and contract assets (continued)

Recognition and measurement of impairment losses (continued)

The ageing of trade receivables, amounts due from associates and joint arrangements, contract assets and derivative financial assets net of impairment amount as at the end of the reporting period is analysed below:

In RM Mil	Group 2023	Group 2022	Company 2023	Company 2022
At net				
Not past due	**47,935**	47,511	**19,240**	19,693
Past due 1 to 30 days	**507**	226	**17**	20
Past due 31 to 60 days	**263**	228	**5**	3
Past due 61 to 90 days	**251**	34	**7**	–
Past due more than 90 days	**3,411**	2,693	**34**	53
	52,367	50,692	**19,303**	19,769

The Group and the Company have not recognised any loss allowance for trade receivables, amounts due from associates and joint arrangements, contract assets and finance lease receivables that are secured by collateral and/or other credit enhancements such as cash deposits, letter of credit, bank guarantees and trust funds.

The movements in the allowance for impairment losses of trade receivables, amounts due from associates and joint arrangements and finance lease receivables during the year are as follows:

In RM Mil	Group 2023	Group 2022	Company 2023	Company 2022
Opening balance	**2,066**	3,930	**60**	426
Impairment losses/(reversal) recognised	**237**	(1,400)	**3**	5
Impairment written off	**–**	(383)	**–**	(371)
Transfer to assets held for sale	**–**	(115)	**–**	–
Translation exchange difference	**177**	34	**–**	–
Closing balance	**2,480**	2,066	**63**	60

The movement of loss allowance for trade receivables, amounts due from associates and joint arrangements, contract assets and finance lease receivables includes changes arising from lifetime expected credit losses due to reassessment of the expected timing of realisation for certain amounts of receivables of the Group and the Company.

(ii) Fund and other investments

Risk management objectives, policies and processes for managing the risk

The Group and the Company are also exposed to counterparty credit risk from financial institutions, government and corporate counterparties through fund and other investment activities comprising primarily money market placements and investments in bonds. These exposures are managed in accordance with existing policies and guidelines that define the parameters within which the investment activities shall be undertaken in order to achieve the Group's investment objective of preserving capital and generating optimal returns above appropriate benchmarks within allowable risk parameters.

Investments are only made with approved counterparties who met the appropriate rating and other relevant criteria, and within approved credit limits, as stipulated in the policies and guidelines.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

(ii) Fund and other investments (continued)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

The credit risk on a financial instrument is considered low, if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

As at the reporting date, the Group and the Company have invested significantly in domestic market.

Recognition and measurement of impairment loss

The fund and other investments are unsecured. However, in view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligation and no impairment loss was recognised.

(iii) Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Group and the Company provide financial guarantees to banks in respect of banking facilities granted to certain subsidiaries, joint arrangement and associates ("Group entities"). The Group and the Company monitor on an ongoing basis, the results of the Group entities and repayments made by the Group entities.

Exposure to credit risk, credit quality and collateral

In connection to the project financing facility undertaken by a joint operation entity and joint venture entity of the Group (the "Borrowers") under an integrated borrowing structure.

Prior to the project completion date, the Group and the Company provided a completion guarantee as disclosed in Note 21.

After project completion, each Borrower provides a cross-guarantee to the lenders for each other's outstanding loan. The outstanding loan balances as at financial year end for the joint operation entity and the joint venture entity based on the Group's shareholdings are RM1,798 million (2022: RM1,842 million) and RM15,301 million (2022: RM15,669 million) respectively.

The Group's share of maximum exposure on the credit risk relating to the cross-guarantee provided by the Borrowers upon enforcement are limited to the value of assets securitised to lenders upon enforcement.

The maximum exposure to credit risk for the Company amounted to RM6,014 million (2022: RM4,483 million), which represents the outstanding banking facilities of the Group's entities as at reporting date. As at reporting date, there was no indication that any entities would default on repayment. The fair value of the financial guarantee recognised is disclosed in Note 23.

Liquidity risk

Liquidity risk is the risk that the Group and the Company will have insufficient funds to meet financial commitments in a timely manner. The Group's and the Company's exposure to liquidity risk arise principally from their trade and other payables and borrowings. In managing its liquidity risk, the Group and the Company maintain sufficient cash and liquid marketable assets. The Company's current credit rating enables it to access banking facilities in excess of current and immediate future requirements of the Group and the Company. The Group's and the Company's borrowing power is not limited by its Articles of Association. However, certain covenants included in agreements impose limited restrictions on some of the debt level of PETRONAS' subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Maturity analysis

The following table summarises the maturity profile of the Group's and of the Company's financial liabilities as at the reporting date based on undiscounted contractual payments:

Group 2023 *In RM Mil*	**Carrying amount**	**Contractual interest/ profit rates per annum %**	**Contractual cash flows**
Amortised cost			
Lease liabilities	17,041	0.91 – 8.5	17,325
Secured term loans			
USD floating rate loans	6,772	3.61	7,102
USD fixed rate loans	6,839	3.79	7,016
INR floating rate loans	2,823	5.12	2,962
EUR floating rate loans	2,103	4.53	2,293
Other fixed rate loans	1,483	4.06	1,579
Other floating rate loans	414	3.96	496
Unsecured term loans			
USD floating rate loans	1,220	2.80	1,521
Other fixed rate loans	520	1.85	620
Unsecured Notes and Bonds			
USD Guaranteed Notes	62,239	3.73	90,632
USD Bonds	2,300	7.63	2,825
Unsecured revolving credits			
USD floating revolving credits	230	2.19	235
USD fixed revolving credits	1,268	0.30	1,271
Other floating revolving credits	384	3.15	401
Unsecured bankers' acceptances			
RM floating bankers' acceptances	248	3.46	256
INR floating bankers' acceptances	28	8.20	29
Secured Islamic financing facilities			
RM Islamic financing facilities	3,031	4.45	3,158
Unsecured Islamic financing facilities			
RM Islamic financing facilities	2,678	3.96	2,782
Other long-term liabilities	5,816	–	8,051
Financial guarantee	–	–	[a]15,301
Trade and other payables	57,505	–	57,505
Fair value through profit or loss			
Derivative financial liabilities[b]	202	–	202
	175,144		223,562

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[a] Limited to the value of asset securitised to lenders upon enforcement.
[b] Excludes derivative financial liabilities designated as hedging instruments as disclosed in cash flow hedge (Note 39).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Maturity analysis (continued)

Group **2023** *In RM Mil*	**Within 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Amortised cost (continued)				
Lease liabilities	3,486	2,351	3,975	7,513
Secured term loans				
USD floating rate loans	784	785	3,046	2,487
USD fixed rate loans	858	955	2,986	2,217
INR floating rate loans	2,023	429	170	340
EUR floating rate loans	63	63	2,167	–
Other fixed rate loans	622	74	686	197
Other floating rate loans	52	42	402	–
Unsecured term loans				
USD floating rate loans	123	95	90	1,213
Other fixed rate loans	75	9	218	318
Unsecured Notes and Bonds				
USD Guaranteed Notes	2,354	10,946	11,538	65,794
USD Bonds	175	175	2,475	–
Unsecured revolving credits				
USD floating revolving credits	235	–	–	–
USD fixed revolving credits	1,271	–	–	–
Other floating revolving credits	401	–	–	–
Unsecured bankers' acceptances				
RM floating bankers' acceptances	256	–	–	–
INR floating bankers' acceptances	29	–	–	–
Secured Islamic financing facilities				
RM Islamic financing facilities	1,375	611	458	714
Unsecured Islamic financing facilities				
RM Islamic financing facilities	1,773	139	519	351
Other long-term liabilities	438	197	2,460	4,956
Financial guarantee	[a]15,301	–	–	–
Trade and other payables	57,505	–	–	–
Fair value through profit or loss				
Derivative financial liabilities[b]	198	4	–	–
	89,397	16,875	31,190	86,100

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[a] Limited to the value of asset securitised to lenders upon enforcement.
[b] Excludes derivative financial liabilities designated as hedging instruments as disclosed in cash flow hedge (Note 39).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Maturity analysis (continued)

Group **2022** *In RM Mil*	**Carrying amount**	**Contractual interest/ profit rates per annum %**	**Contractual cash flows**
Amortised cost			
Lease liabilities	15,073	1.00-9.50	21,566
Secured term loans			
USD floating rate loans	4,438	1.83	5,024
USD fixed rate loans	7,429	2.70	7,629
RM floating rate loans	430	4.37	482
RM fixed rate loans	362	3.94	377
Other floating rate loans	3,354	5.58	3,696
Other fixed rate loans	230	9.04	250
Unsecured term loans			
USD floating rate loans	3,884	3.97	4,115
EUR floating rate loans	141	0.71	143
Other fixed rate loans	280	1.78	307
Unsecured Notes and Bonds			
USD Guaranteed Notes	59,709	3.73	105,001
USD Bonds	2,208	7.63	2,880
Unsecured revolving credits			
Other floating revolving credits	154	3.33	154
Unsecured bankers' acceptances			
RM fixed bankers' acceptances	272	4.18	272
INR floating bankers' acceptances	21	7.73	21
Secured Islamic financing facilities			
RM Islamic financing facilities	3,306	4.44	3,828
Unsecured Islamic financing facilities			
RM Islamic financing facilities	2,866	3.80	2,990
Other long-term liabilities	4,460	–	6,024
Financial guarantee	–	–	[a]15,669
Trade and other payables	49,353	–	49,353
Fair value through profit or loss			
Derivative financial liabilities[b]	615	–	615
	158,585		230,396

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[a] Limited to the value of asset securitised to lenders upon enforcement.
[b] Excludes derivative financial liabilities designated as hedging instruments as disclosed in cash flow hedge (Note 39).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Maturity analysis (continued)

Group **2022** *In RM Mil*	**Within 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Amortised cost (continued)				
Lease liabilities	2,054	3,477	6,808	9,227
Secured term loans				
USD floating rate loans	620	429	1,121	2,854
USD fixed rate loans	822	794	4,664	1,349
RM floating rate loans	43	36	403	–
RM fixed rate loans	39	41	135	162
Other floating rate loans	774	250	2,307	365
Other fixed rate loans	10	29	102	109
Unsecured term loans				
USD floating rate loans	2,736	–	577	802
EUR floating rate loans	–	–	143	–
Other fixed rate loans	127	–	42	138
Unsecured Notes and Bonds				
USD Guaranteed Notes	2,042	2,042	13,545	87,372
USD Bonds	168	168	2,544	–
Unsecured revolving credits				
Other floating revolving credits	154	–	–	–
Unsecured bankers' acceptances				
RM fixed bankers' acceptances	272	–	–	–
INR floating bankers' acceptances	21	–	–	–
Secured Islamic financing facilities				
RM Islamic financing facilities	365	669	1,035	1,759
Unsecured Islamic financing facilities				
RM Islamic financing facilities	586	1,350	954	100
Other long-term liabilities	59	35	1,982	3,948
Financial guarantee	[a]15,669	–	–	–
Trade and other payables	49,353	–	–	–
Fair value through profit or loss				
Derivative financial liabilities[b]	569	44	2	–
	76,483	9,364	36,364	108,185

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[a] Limited to the value of asset securitised to lenders upon enforcement.
[b] Excludes derivative financial liabilities designated as hedging instruments as disclosed in cash flow hedge (Note 39).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Maturity analysis (continued)

Company **2023** *In RM Mil*	**Carrying amount**	**Contractual interest/ profit rates per annum %**	**Contractual cash flows**
Amortised cost			
Lease liabilities	**7,051**	**5.10**	**7,964**
Unsecured Notes and Bonds			
USD Guaranteed Notes	**54,892**	**3.82**	**82,459**
USD Bonds	**2,300**	**7.63**	**2,825**
Other long-term liabilities	**14,184**	**–**	**20,177**
Financial guarantees	**–**	**–**	**[a]6,014**
Trade and other payables	**21,536**	**–**	**21,536**
Fair value through profit or loss			
Derivative financial liabilities[b]	**143**	**–**	**143**
	100,106		**141,118**

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Company **2022** *In RM Mil*	**Carrying amount**	**Contractual interest/ profit rates per annum %**	**Contractual cash flows**
Amortised cost			
Lease liabilities	7,211	5.22	11,072
Unsecured Notes and Bonds			
USD Notes	–	–	–
USD Guaranteed Notes	52,663	3.82	97,956
USD Bonds	2,208	7.63	2,880
Other long-term liabilities	12,516	–	18,764
Financial guarantees	–	–	[a]4,483
Trade and other payables	23,305	–	23,305
Fair value through profit or loss			
Derivative financial liabilities[b]	78	–	78
	97,981		158,538

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[a] Limited to the value of asset securitised to lenders upon enforcement.
[b] Excludes derivative financial liabilities designated as hedging instruments as disclosed in cash flow hedge (Note 39).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Maturity analysis (continued)

Company 2023 *In RM Mil*	**Within 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Amortised cost (continued)				
Lease liabilities	**675**	**717**	**1,218**	**5,354**
Unsecured Notes and Bonds				
USD Guaranteed Notes	**2,127**	**8,881**	**5,657**	**65,794**
USD Bonds	**175**	**175**	**2,475**	**–**
Other long-term liabilities	**993**	**240**	**4,871**	**14,073**
Financial guarantees	**[a]6,014**	**–**	**–**	**–**
Trade and other payables	**21,536**	**–**	**–**	**–**
Fair value through profit or loss				
Derivative financial liabilities[b]	**143**	**–**	**–**	**–**
	31,663	**10,013**	**14,221**	**85,221**

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2022 *In RM Mil*				
Amortised cost (continued)				
Lease liabilities	883	905	2,137	7,147
Unsecured Notes and Bonds				
USD Notes	–	–	–	–
USD Guaranteed Notes	2,042	2,042	11,782	82,090
USD Bonds	168	168	2,544	–
Other long-term liabilities	495	557	4,370	13,342
Financial guarantees	[a]4,483	–	–	–
Trade and other payables	23,305	–	–	–
Fair value through profit or loss				
Derivative financial liabilities[b]	78	–	–	–
	31,454	3,672	20,833	102,579

continued from previous page

[a] Limited to the value of asset securitised to lenders upon enforcement.
[b] Excludes derivative financial liabilities designated as hedging instruments as disclosed in cash flow hedge (Note 39).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Market risk

Market risk is the risk or uncertainty arising from change in market prices and their impact on the performance of the business. The market price changes that the Group and the Company are exposed to include interest rates, foreign currency exchange rates, commodity prices, equity prices and other indices that could affect the value of the Group's and the Company's financial assets, liabilities or expected future cash flows.

Interest rate risk

The Group's and the Company's investments in fixed rate debt securities and fixed rate borrowings are exposed to a risk of change in their fair values due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk.

All interest rate exposures are monitored and managed proactively in line with PETRONAS' policies and guidelines. The Group enters into hedging transactions with respect to interest rate on certain long-term borrowings and other debts where necessary and appropriate, in accordance with policies and guidelines.

The Group and the Company are also exposed to the ongoing interbank offered rates ("IBOR") reforms on its financial instruments that will be replaced or reformed as part of these market-wide initiatives.

The Group's and the Company's main IBOR exposures were indexed to USD LIBOR which was discontinued on 30 June 2023. The alternative benchmark rate is indexed to SOFR. PETRONAS LIBOR Transition Project Steering Committee monitors and manages the Groupwide transition to alternative benchmark rates by the cessation date with an aim to achieve economically equivalent transactions and minimal impact upon transition.

As at reporting date, the Group's and the Company's transitional activities have been completed, with the exception of certain number of contracts for which the transition to alternative benchmark rate are still ongoing. The Group and the Company have applied the practical expedients to negotiated contracts for which the benchmark rate had been replaced to SOFR.

Contracts that have yet to transition to SOFR as at 31 December 2023 are relying on synthetic USD LIBOR rates until the contracts are transitioned prior to the cessation of synthetic USD LIBOR on 30 September 2024. As at 31 December 2023, the exposure referencing the synthetic USD LIBOR is immaterial.

The completed negotiated contracts for which alternative benchmark rate had been replaced to SOFR are fully economically equivalent with no profit or loss impact upon initial transition.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Interest rate risk (continued)

The interest rate profile of the Group's and the Company's interest-bearing financial instruments based on carrying amount as at reporting date is as follows:

	Group		Company	
In RM Mil	2023	2022	2023	2022
Fixed rate instruments				
Financial assets	**237,746**	224,527	**101,889**	117,227
Financial liabilities	**(100,576)**	(94,060)	**(78,426)**	(74,599)
	137,170	130,467	**23,463**	42,628
Floating rate instruments				
Financial assets	**16,342**	9,870	**39,447**	46,236
Financial liabilities	**(16,869)**	(14,564)	**–**	–
	(527)	(4,694)	**39,447**	46,236

Since most of the Group's and the Company's financial assets and liabilities are fixed rate instruments measured at amortised cost, a change in interest rate is not expected to have material impact on the Group's and the Company's profit or loss.

Foreign exchange risk

The Group and the Company are exposed to varying levels of foreign exchange risk when they enter into transactions that are not denominated in the respective companies' functional currencies and when foreign currency monetary assets and liabilities are translated at the reporting date. The main underlying economic currencies of the Group's cash flows are Ringgit Malaysia and US Dollars.

The Group's and the Company's foreign exchange management policy are to minimise economic and significant transactional exposures arising from currency movements. The Group coordinates the handling of foreign exchange risks centrally typically by matching receipts and payments for the same currency. For major capital projects, the Group performs assessment of potential foreign exchange risk exposure at the investment decision phase to determine the appropriate foreign exchange risk management strategy. Residual net positions are actively managed and monitored against prescribed policies and control procedures. When deemed necessary and appropriate, the Group will enter into derivative financial instruments to hedge and minimise its exposures to the foreign currency movements.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Foreign exchange risk (continued)

The Group's and the Company's significant exposure to foreign currency risk, based on carrying amounts as at the reporting date is as follows:

Group *In RM Mil*	2023	2022
Denominated in USD		
Financial assets		
Loan and advances to subsidiaries and a joint venture	**50,526**	51,832
Cash and cash equivalents	**30,822**	55,054
Trade and other receivables	**17,379**	15,779
Long-term receivables	**25,222**	3,188
Fund and other investments	**61**	12
Derivative financial assets	**699**	730
	124,709	126,595
Financial liabilities		
Loan and advances from holding company	**(19,631)**	(19,708)
Borrowings	**(60,002)**	(57,648)
Trade and other payables	**(11,520)**	(9,268)
Other financial liabilities	**(995)**	(2,293)
	(92,148)	(88,917)
Net exposure	**32,561**	37,678
Denominated in RM		
Financial assets		
Loan and advances to a subsidiary	**151**	–
Cash and cash equivalents	**1,786**	4,216
Trade and other receivables	**6,014**	5,993
Derivative financial assets	**1**	2
	7,952	10,211
Financial liabilities		
Borrowings	**(339)**	(814)
Trade and other payables	**(4,679)**	(8,675)
	(5,018)	(9,489)
Net exposure	**2,934**	722

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Foreign exchange risk (continued)

Company *In RM Mil*	**2023**	**2022**
Denominated in USD		
Financial assets		
Loan and advances to subsidiaries and a joint venture	**31,232**	34,133
Long term receivables	**21,655**	–
Cash and cash equivalents	**72,306**	93,300
Trade and other receivables	**14,060**	13,740
Derivative financial assets	**632**	626
	139,885	141,799
Financial liabilities		
Cash and cash equivalents – subsidiaries' cash with PETRONAS Integrated Financial Shared Service Centre	**(41,663)**	(38,850)
Borrowings	**(57,192)**	(54,871)
Trade and other payables	**(5,613)**	(5,376)
Other financial liabilities	**(407)**	(660)
	(104,875)	(99,757)
Net exposure	**35,010**	42,042

Sensitivity analysis for a given market variable provided in this note, discloses the effect on profit or loss and equity as at 31 December 2023 assuming that a reasonably possible change in the relevant market variable had occurred at 31 December 2023 and been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes in price on profit or loss and equity to the next annual reporting date. Reasonably possible changes in market variables used in the sensitivity analysis are based on implied volatilities, where available, or historical data for equity and commodity prices and foreign exchange rates. Reasonably possible changes in interest rates are based on management judgment and historical experience.

The sensitivity analysis is hypothetical and should not be considered to be predictive of future performance because the Group's actual exposure to market prices is constantly changing with changes in the Group's portfolio of among others, commodity, debt and foreign currency contracts. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the relationship between the change in market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a given market variable is calculated independently of any change in another assumption and mitigating actions that would be taken by the Group. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Foreign exchange risk (continued)

The following table demonstrates the indicative pre-tax effects on the profit or loss and equity of applying reasonably foreseeable market movements in the following currency exchange rates:

		Group		**Company**	
2023 *In RM Mil*	**Appreciation in foreign currency rate %**	**Equity**	**Profit or loss**	**Equity**	**Profit or loss**
USD	10	**809**	**2,447**	**63**	**3,438**
MYR	10	**–**	**293**	**–**	**–**
2022					
USD	10	934	2,834	–	4,204
MYR	10	–	72	–	–

A depreciation in foreign currency rate above would have had equal but opposite effect, on the basis that all other variables remain constant.

Equity price risk

Equity price risk arises from the Group's and the Company's investments in equity securities. Exposures to equity price risk are managed in accordance with the Group's existing policies and guidelines. The Group and the Company monitor the equity investments on a portfolio basis and a performance benchmark is established for each investment portfolio giving consideration to portfolio objectives and return expectation. All buy and sell decisions are monitored by the Group Treasury Department.

The Group and the Company also hold equity investments for strategic purposes, that are classified as FVTPL and FVOCI financial assets. Reports on the equity portfolio performance are submitted to the Group's and the Company's senior management on a regular basis.

The Group's and the Company's exposure to equity price risk based on carrying amounts as at the reporting date is as follows:

	Group		**Company**	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Local equities	**2,438**	1,116	**204**	5
Foreign equities	**270**	337	**–**	–
	2,708	1,453	**204**	5

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Equity price risk (continued)

The following table demonstrates the indicative pre-tax effects on the profit or loss and equity of applying reasonably foreseeable market movements in the following equities:

2023 *In RM Mil*	Increase in price based on average change in index rate %	Group Equity	Group Profit or loss	Company Equity	Company Profit or loss
Local equities	10	**–**	**244**	**–**	**20**
Foreign equities	15	**25**	**16**	**–**	**–**
2022					
Local equities	10	–	112	–	1
Foreign equities	15	28	23	–	–

A decrease in price based on average change in index rate above would have had equal but opposite effect, on the basis that all other variables remain constant.

Commodity price risk

The Group faces exposure to fluctuations in commodity prices resulting from its involvement in the marketing and trading of commodities such as crude oil, gas, LNG and petroleum products. The fluctuations in prices may affect the value of the Group's financial assets, liabilities and expected future cash flows.

In minimising the financial impact from changes in commodity prices, the Group utilises various derivative instruments e.g. forwards, futures and swaps to manage and mitigate the exposures arising from commodity prices fluctuations in line with risk appetite, policies, guidelines and procedures. A risk management department conducts and reports mark-to-market assessments of all exposures from both the underlying assets and derivative instruments to key stakeholders on a daily basis.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Cash flow hedge

In the normal course of business, the Group and the Company enter into derivative financial instruments to manage their normal business exposures in relation to commodity prices, interest rates and foreign currency exchange rates, including management of the balance between floating rate and fixed rate debt, consistent with risk management policies and objectives.

The Group and the Company have entered into commodity derivatives to manage the volatility attributable to price fluctuations of crude oil and gas by hedging the price volatility of forecasted crude oil and gas sales in accordance with the Group's risk management strategy.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the commodity derivatives match the terms of the expected highly probable forecast transactions (i.e. nominal amount and expected payment date). The Group and the Company have established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity derivatives are identical to the hedged risk components. To test the hedge effectiveness, the Group and the Company compare the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from any of the followings:

- changes in economic relationship between the hedged items and the hedging instruments; or
- change in the nominal value of the hedged items; or
- change in settlement dates or terms; or
- change in credit risk whereby the counterparty may not be able to deliver on their financial obligation.

As at 31 December 2023, the Group and the Company held commodity swaps and options contracts to hedge the price of crude oil and gas of highly probable forecast transactions. The Group also held other forward contracts to hedge other prices of highly probable transactions.

The Group has also entered into an interest rate swap to hedge the cash flow risk in relation to the floating interest rate of the borrowings. The interest rate swap is settled on every specified period, consistent with the interest repayment schedule of the borrowings.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenure, maturities and the nominal amounts. If a hedging relationship is directly affected by uncertainty arising from IBOR reform, then the Group assumes for this purpose that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

The Group uses derivative financial instruments such as forward foreign exchange contracts to manage the impact of fluctuation in foreign currency rate to certain exposures.

The Group ensures that the critical terms of the forward foreign exchange contracts align with the hedged items. The Group determines the existence of an economic relationship between the hedging instruments and the hedged items based on the currency, amount and timing of the respective cash flows.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Cash flow hedge (continued)

The Group held the following instruments to hedge exposures to changes in interest rates, foreign currency exchange rates and prices.

			Maturity				
Group 2023 *In RM Mil*	**Nominal amount**	**Net carrying amount**	**Total**	**Within 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Interest rate risk							
Interest rate swaps	**10,721**	**710**	**710**	**–**	**14**	**298**	**398**
Average hedged interest rate (%)				**–**	**1.73**	**1.86**	**2.02**
Foreign currency risk							
Forward foreign exchange contracts	**5,148**	**21**	**21**	**(29)**	**1**	**49**	**–**
Average forward rate (USD/CAD)				**1.28-1.32**	**1.28-1.32**	**1.30**	**–**
Average forward rate (USD/EUR)				**0.86**	**0.84**	**–**	**–**
Average forward rate (USD/JPY)				**110.84**	**109.75**	**–**	**–**
Average forward rate (USD/CNY)				**6.69**	**6.66**	**–**	**–**
Average forward rate (USD/AUD)				**0.67**	**–**	**–**	**–**
Average forward rate (RM/USD)				**4.55**	**–**	**–**	**–**
Price risk							
Commodity derivatives	**14,357**	**540**	**540**	**540**	**–**	**–**	**–**
Average crude oil and gas prices (in USD/boe)				**76**	**–**	**–**	**–**
Other forward contracts	**286**	**37**	**37**	**37**	**–**	**–**	**–**
Average utility prices (in USD/MWh)				**71**	**–**	**–**	**–**

			Maturity				
Group 2022 *In RM Mil*	**Nominal amount**	**Net carrying amount**	**Total**	**Within 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
Interest rate risk							
Interest rate swaps	11,505	910	910	–	170	438	302
Average hedged interest rate (%)				–	1.86	1.86	2.02
Foreign currency risk							
Forward foreign exchange contracts	5,250	223	223	152	(20)	6	85
Average forward rate (USD/CAD)				1.31-1.35	1.28-1.35	1.28-1.33	1.32
Average forward rate (USD/EUR)				0.89	0.85	0.84	–
Average forward rate (USD/JPY)				116.00	110.38	109.75	–
Average forward rate (USD/CNY)				6.78	6.65	6.66	–
Average forward rate (USD/AUD)				0.65-0.66	–	–	–
Average forward rate (RM/USD)				4.52	–	–	–
Commodity price risk							
Commodity derivatives	24,520	1,385	1,385	1,385	–	–	–
Average crude oil and gas prices (in USD/boe)				81	–	–	–

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Cash flow hedge (continued)

Net carrying amounts comprise derivative financial assets and derivative financial liabilities for the respective hedging instruments.

As at 31 December 2023, the Group and the Company held net commodity derivative financial assets amounting to RM540 million (2022: RM1,385 million) and RM632 million (2022: RM626 million) respectively. The hedging instruments mainly mature within 12 months from the relevant financial year end.

The maximum expected commodity derivatives loss to the Group and the Company are RM709 million (2022: RM292 million) and RM624 million (2022: RM1,051 million) respectively.

The Group's and the Company's contract prices for commodity derivatives are based on prices negotiated with the respective counterparties at the inception of the hedging instruments.

The amounts relating to hedging instruments, hedged items, hedge effectiveness and the effect of the cash flow hedge in the statement of profit or loss and OCI are as follows:

Group 2023 *In RM Mil*	Carrying amount **Assets**	**Liabilities**	**Change in fair value (loss)/gain used for measuring ineffectiveness**	**Hedging Reserve**
	Note 12	**Note 12**		
Interest rate risk				
Interest rate swaps	**717**	**(7)**	**(122)**	**307**
Floating interest rate term loans			**122**	
Foreign currency risk				
Forward foreign exchange contracts	**77**	**(56)**	**(237)**	**(34)**
Expected future receipts and payments			**237**	
Price risk				
Commodity derivatives	**647**	**(100)**	**849**	**(200)**
Forecast sales and purchases			**(849)**	
Other forward contracts	**37**	**–**	**34**	**34**
Expected future receipts and payments			**(34)**	
	1,478	**(163)**		**107**

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Cash flow hedge (continued)

Group 2023 In RM Mil	Movement of cash flow hedge attributable to shareholders of the Company: Total hedging (loss)/gain recognised in OCI	Amount reclassified from hedging reserve to profit or loss	Total	Movement of cash flow hedge attributable to Non-controlling Interests	Total movement of cash flow hedge
Interest rate risk					
Interest rate swaps	**(122)**	**–**	**(122)**	**(117)**	**(239)**
Foreign currency risk					
Forward foreign exchange contracts	**(237)**	**81**	**(156)**	**–**	**(156)**
Price risk					
Commodity derivatives	**(1,749)**	**1,237**	**(512)**	**–**	**^(512)**
Other forward contracts	**34**	**–**	**34**	**–**	**34**
	(2,074)	**1,318**	**(756)**	**(117)**	**(873)**

^ Includes reduction to the cost of hedging reserve of RM319 million.

Hedge ineffectiveness and reclassifications from hedging reserve to profit or loss are recognised in revenue, cost of revenue, financing costs and other income or expenses respectively depending on the nature of transactions.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Cash flow hedge (continued)

Group 2022 In RM Mil	Carrying amount: Assets	Carrying amount: Liabilities	Change in fair value gain/(loss) used for measuring ineffectiveness	Hedging Reserve
	Note 12	Note 12		
Interest rate risk				
Interest rate swaps	917	(7)	549	429
Floating interest rate term loans			(549)	
Foreign currency risk				
Forward foreign exchange contracts	310	(87)	251	122
Expected future receipts and payments			(251)	
Commodity price risk				
Commodity derivatives	1,385	–	1,461	312
Forecast sales and purchases			(1,461)	
	2,612	(94)		863

Group 2022 In RM Mil	Movement of cash flow hedge attributable to shareholders of the Company: Total hedging gain/(loss) recognised in OCI	Amount reclassified from hedging reserve to profit or loss	Total	Movement of cash flow hedge attributable to Non-controlling Interests	Total movement of cash flow hedge
Interest rate risk					
Interest rate swaps	549	–	549	528	1,077
Foreign currency risk					
Forward foreign exchange contracts	251	(178)	73	–	73
Commodity price risk					
Commodity derivatives	(1,211)	3,060	1,849	–	^1,849
	(411)	2,882	2,471	528	2,999

^ Includes addition to the cost of hedging reserve of RM324 million.

Hedge ineffectiveness and reclassifications from hedging reserve to profit or loss are recognised in cost of revenue, financing cost and other income or expenses respectively depending on the nature of transactions.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Cash flow hedge (continued)

Company 2023 *In RM Mil*	Carrying amount Assets Note 12	Carrying amount Liabilities Note 12	Hedging Reserve
Commodity price risk			
Commodity derivatives	**632**	**–**	**(154)**

Company 2023 *In RM Mil*	Total hedging loss recognised in OCI	Amount reclassified from hedging reserve to profit or loss	Total movement of cash flow hedge
Commodity price risk			
Commodity derivatives	**(2,622)**	**2,918**	**^296**

Company 2022 *In RM Mil*	Carrying amount Assets Note 12	Carrying amount Liabilities Note 12	Hedging Reserve
Commodity price risk			
Commodity derivatives	626	–	(450)

Company 2022 *In RM Mil*	Total hedging loss recognised in OCI	Amount reclassified from hedging reserve to profit or loss	Total movement of cash flow hedge
Commodity price risk			
Commodity derivatives	(2,672)	2,348	^(324)

^ The amount relates to cost of hedging and hedging reserve.

Hedge ineffectiveness and reclassifications from hedging reserve to profit or loss are recognised in cost of revenue.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Cash flow hedge (continued)

The following table provides reconciliation of hedging reserves by risk category and analysis of other comprehensive income items, net of tax, resulting from cash flow of hedge accounting:

In RM Mil	Group Hedging reserve	Company Hedging reserve
As at 1 January 2022	(1,608)	(126)
Changes in fair value:		
– Interest rate risk	549	–
– Foreign currency risk	251	–
– Commodity price risk*	(1,211)	(2,672)
Amount reclassified to profit or loss	2,882	2,348
As at 1 January 2023	**863**	**(450)**
Changes in fair value:		
– Interest rate risk	**(122)**	**–**
– Foreign currency risk	**(237)**	**–**
– Price risk*	**(1,715)**	**(2,622)**
Amount reclassified to profit or loss	**1,318**	**2,918**
As at 31 December 2023	**107**	**(154)**

* Included in changes in fair value of commodity price risk is loss on the portion which was excluded from the designated hedging instrument of RM2,598 million (2022: RM2,672 million) as it relates to the time value of commodity derivatives and forward element of forward contracts. It is initially recognised in other comprehensive income and accounted for similarly to gains or losses in the cash flow hedge reserve.

Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings, reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

Group 2023 In RM Mil	Fair value of financial instruments carried at fair value Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	2,181	–	–	2,181
Quoted securities	–	527	–	527
Unquoted shares	–	–	1,783	1,783
Malaysian Government Securities	–	2,085	–	2,085
Corporate Bonds and Sukuk	–	6,899	–	6,899
Forward foreign exchange and other contracts	–	275	–	275
Commodity derivatives	317	947	–	1,264
Interest rate swaps	–	717	–	717
	2,498	11,450	1,783	15,731
Financial liabilities				
Forward foreign exchange and other contracts	–	(164)	–	(164)
Commodity derivatives	(79)	(115)	–	(194)
Interest rate swaps	–	(7)	–	(7)
	(79)	(286)	–	(365)

Group 2023 In RM Mil	Fair value of financial instruments not carried at fair value Level 2	Level 3	Total	Carrying amount
Financial assets				
Unquoted securities	–	500	500	500
Malaysian Government Securities	5,774	–	5,774	5,736
Corporate Bonds and Sukuk	2,705	–	2,705	2,687
Long-term receivables	–	26,952	26,952	26,778
Finance lease receivables	–	11,466	11,466	11,466
	8,479	38,918	47,397	47,167
Financial liabilities				
Notes and Bonds	(58,956)	–	(58,956)	(64,539)
Term loans	–	(17,559)	(17,559)	(17,935)
Islamic financing facilities	–	(2,583)	(2,583)	(2,684)
Other long-term liabilities	–	(5,816)	(5,816)	(5,816)
	(58,956)	(25,958)	(84,914)	(90,974)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

Group 2022 In RM Mil	Fair value of financial instruments carried at fair value Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	1,453	–	–	1,453
Unquoted shares	–	–	1,241	1,241
Malaysian Government Securities	–	1,814	–	1,814
Corporate Bonds and Sukuk	–	7,862	–	7,862
Forward foreign exchange contracts	–	406	–	406
Commodity derivatives	1,213	1,385	–	2,598
Interest rate swaps	–	917	–	917
	2,666	12,384	1,241	16,291
Financial liabilities				
Forward foreign exchange contracts	–	(184)	–	(184)
Commodity derivatives	(396)	(28)	–	(424)
Interest rate swaps	–	(7)	–	(7)
	(396)	(219)	–	(615)

Group 2022 In RM Mil	Fair value of financial instruments not carried at fair value Level 2	Level 3	Total	Carrying amount
Financial assets				
Long-term receivables	–	21,342	21,342	21,342
Finance lease receivables	–	12,007	12,007	12,007
	–	33,349	33,349	33,349
Financial liabilities				
Notes and Bonds	(54,910)	–	(54,910)	(61,917)
Term loans	–	(16,796)	(16,796)	(15,759)
Islamic financing facilities	–	(5,187)	(5,187)	(5,378)
Other long-term liabilities	–	(4,460)	(4,460)	(4,460)
	(54,910)	(26,443)	(81,353)	(87,514)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

Company 2023 In RM Mil	Fair value of financial instruments carried at fair value Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	204	–	–	204
Unquoted shares	–	–	73	73
Malaysian Government Securities	–	1,667	–	1,667
Corporate Bonds and Sukuk	–	4,827	–	4,827
Forward foreign exchange contracts	–	151	–	151
Commodity derivatives	–	632	–	632
Long-term receivables	–	–	53,492	53,492
	204	7,277	53,565	61,046
Financial liabilities				
Forward foreign exchange contracts	–	(143)	–	(143)

Company 2023 In RM Mil	Fair value of financial instruments not carried at fair value Level 2	Level 3	Total	Carrying amount
Financial assets				
Long-term receivables	–	58,678	58,678	55,948
Malaysian Government Securities	2,814	–	2,814	2,775
Corporate Bonds and Sukuk	1,038	–	1,038	1,021
	3,852	58,678	62,530	59,744
Financial liabilities				
Notes and Bonds	(52,497)	–	(52,497)	(57,192)
Other long-term liabilities	–	(14,306)	(14,306)	(14,300)
	(52,497)	(14,306)	(66,803)	(71,492)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Fair value information (continued)

Company 2022 In RM Mil	Fair value of financial instruments carried at fair value Level 1	Level 2	Level 3	Total
Financial assets				
Quoted shares	5	–	–	5
Unquoted shares	–	–	73	73
Malaysian Government Securities	–	1,669	–	1,669
Corporate Bonds and Sukuk	–	5,275	–	5,275
Forward foreign exchange contracts	–	66	–	66
Commodity derivatives	–	626	–	626
Long-term receivables	–	–	29,259	29,259
	5	7,636	29,332	36,973
Financial liabilities				
Forward foreign exchange contracts	–	(78)	–	(78)

Company 2022 In RM Mil	Fair value of financial instruments not carried at fair value Level 2	Level 3	Total	Carrying amount
Financial assets				
Long-term receivables	–	61,185	61,185	58,195
Financial liabilities				
Notes and Bonds	(48,738)	–	(48,738)	(54,871)
Other long-term liabilities	–	(12,668)	(12,668)	(12,666)
	(48,738)	(12,668)	(61,406)	(67,537)

Derivative financial instruments

The calculation of fair value for derivative financial instruments depends on the type of instruments. The fair value of interest rate swap agreements are estimated by discounting expected future cash flows using current market interest rates and yield curve over the remaining term of the instrument. The fair value of forward foreign exchange contracts is based on the fair value difference between forward exchange rates and the contracted rate. The fair value of commodity options, commodity swap and commodity forward contracts is based on the fair value difference between the market price at the date of measurement and the contracted price.

Non-derivative financial instruments

For non-derivative financial liabilities, fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Income/(expense) and net gains/(losses) arising from financial instruments*

Group 2023 *In RM Mil*	Interest income	Interest expense	Net impairment losses/ write-off	Others	Total
Financial assets at fair value:					
– through profit or loss	**406**	**–**	**–**	**(435)**	**(29)**
– through OCI	**–**	**–**	**–**	**(128)**	**(128)**
Financial assets at amortised cost:					
– recognised in profit or loss	**11,157**	**–**	**(2,213)**	**2,682**	**11,626**
– recognised in equity	**–**	**–**	**–**	**305**	**305**
Financial liabilities at amortised cost	**–**	**(2,561)**	**–**	**(2,237)**	**(4,798)**
Derivatives designated as hedging instruments	**–**	**–**	**–**	**(1,663)**	**(1,663)**
	11,563	**(2,561)**	**(2,213)**	**(1,476)**	**5,313**
2022					
Financial assets at fair value:					
– through profit or loss	513	–	–	(403)	110
– through OCI	–	–	–	(429)	(429)
Financial assets at amortised cost:					
– recognised in profit or loss	5,164	–	(889)	4,195	8,470
– recognised in equity	–	–	–	510	510
Financial liabilities at amortised cost	–	(2,753)	–	(3,241)	(5,994)
Derivatives designated as hedging instruments	–	–	–	52	52
	5,677	(2,753)	(889)	684	2,719

* The amounts include continuing and discontinuing operations.

Others relate to gains and losses arising from financial instruments such as realised and unrealised foreign exchange gains or losses, dividend income and fair value gains or losses.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

39. FINANCIAL INSTRUMENTS (continued)

Income/(expense) and net gains/(losses) arising from financial instruments* (continued)

Company 2023 *In RM Mil*	Interest income	Interest expense	Net impairment losses/ write-off	Others	Total
Financial assets at fair value through profit or loss	**276**	**–**	**–**	**1,801**	**2,077**
Financial assets at amortised cost	**7,196**	**–**	**(1,625)**	**4,375**	**9,946**
Financial liabilities at amortised cost	**–**	**(3,078)**	**–**	**(2,325)**	**(5,403)**
Derivatives designated as hedging instruments	**–**	**–**	**–**	**(2,191)**	**(2,191)**
	7,472	**(3,078)**	**(1,625)**	**1,660**	**4,429**
2022					
Financial assets at fair value through profit or loss	277	–	–	493	770
Financial assets at amortised cost	4,322	–	(256)	5,737	9,803
Financial liabilities at amortised cost	–	(2,477)	–	(3,241)	(5,718)
Derivatives designated as hedging instruments	–	–	–	(2,672)	(2,672)
	4,599	(2,477)	(256)	317	2,183

Others relate to gains and losses arising from financial instruments such as realised and unrealised foreign exchange gains or losses, dividend income and fair value gains or losses.

40. CAPITAL MANAGEMENT

The Group, as an essential part of its capital management strategy, is committed towards achieving financial resilience and ensuring long-term business sustainability as outlined in the PETRONAS Financial Policy. The Group's capital structure consists of consolidated equity plus debt, defined as the current and long-term portions of the Group's debt.

The objective of the Group's capital management is to maintain an optimal capital structure and ensure availability of funds in order to meet financial obligations, support business growth and maximise shareholders' value. The Group monitors and maintains a prudent level of total debt to total assets.

There were no changes in the Group's approach to capital management during the year.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

41. PRONOUNCEMENTS ISSUED BY MASB

Adoption of new and revised pronouncements

During the financial year, the Group and the Company adopted the following pronouncements that have been issued by the MASB and are applicable as listed below:

Effective for annual periods beginning on or after 1 January 2023

MFRS 17 *Insurance Contracts*
Amendment to MFRS 17 *Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 – Comparative Information)*
Amendments to MFRS 101 *Presentation of Financial Statements and MFRS Practice Statement 2 (Disclosure of Accounting Policies)*
Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)*
Amendments to MFRS 112 *Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)*
Amendments to MFRS 112 *Income Taxes (International Tax Reform – Pillar Two Model Rules)*

The initial application of the above-mentioned pronouncements did not have any material impact to the financial statements of the Group and the Company.

MFRS 17 *Insurance Contracts*

During the financial year, the Group and the Company adopted MFRS 17 *Insurance Contracts* which is effective from annual period beginning on or after 1 January 2023. Insurance contracts are contracts under which the Group and the Company accept significant insurance risk by agreeing to compensate a third party if a specified uncertain future event adversely affects the guaranteed party.

The Group and the Company assess whether a contract transfers significant insurance risks to the Group and the Company and recognise the exposure if any as provision in the statement of financial position. As at 31 December 2023, the adoption of this pronouncement did not have material impact to the financial statements of the Group and the Company as disclosed in Note 21.

Amendments to MFRS 112 *Income Taxes International Tax Reform – Pillar Two Model Rules*

On 2 June 2023, the MASB had also issued the Amendments to MFRS 112 *Income Taxes International Tax Reform – Pillar Two Model Rules*. This pronouncement is effective from annual period beginning on or after 1 January 2023. On 29 December 2023, Pillar Two legislation has been enacted in Malaysia, which will come into effect on 1 January 2025. Certain subsidiaries within the Group also operate within jurisdictions in which the legislation has been enacted or substantively enacted as at 31 December 2023.

The Amendments to MFRS 112 introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two Model Rules as well as disclosure requirements on the exposure to Pillar Two income taxes upon adoption.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements available for the constituent entities in the Group. Based on the initial assessment carried out as at 31 December 2023, the Group and the Company have identified potential exposure to Pillar Two income taxes on several jurisdictions where effective tax rate is likely to be lower than 15%. The potential exposure is expected to come from the constituent entities in these jurisdictions. The exposure may also exist in other jurisdictions where the assessment is in progress.

The Group and the Company do not expect a material exposure to Pillar Two income taxes in those jurisdictions.

41. PRONOUNCEMENTS ISSUED BY MASB (continued)

Pronouncements yet in effect

The following pronouncements that have been issued by the MASB will become effective in future financial reporting periods and have not been adopted by the Group and the Company in these financial statements:

Effective for annual periods beginning on or after 1 January 2024

Amendments to MFRS 16 *Leases (Lease Liability in a Sale and Leaseback)*
Amendments to MFRS 101 *Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)*
Amendments to MFRS 101 *Presentation of Financial Statements (Non-current Liabilities with Covenants)*
Amendments to MFRS 107 *Statement of Cash Flows* and MFRS 7 *Financial Instruments: Disclosures (Supplier Finance Arrangements)*

Effective for annual periods beginning on or after 1 January 2025

Amendments to MFRS 121 *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

Effective for a date yet to be confirmed

Amendments to MFRS 10 *Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to MFRS 128 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company are expected to apply the above-mentioned pronouncements beginning from the respective dates the pronouncements become effective. The initial application of the above-mentioned pronouncements are not expected to have any material impacts to the financial statements of the Group and the Company.

New and revised pronouncements not applicable to the Group and the Company

The MASB did not issue any new pronouncement which is not relevant to the Group and the Company during the year.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

42. KEY SUBSIDIARIES AND ACTIVITIES

		Effective ownership interest and voting interest			
		2023 %	2022 %	Country of Incorporation	Principal Activities
^*	PETRONAS Carigali Sdn. Bhd.	**100**	100	Malaysia	Petroleum exploration, development and production
	PETRONAS Carigali Nile Ltd.	**100**	100	Republic of Mauritius	Petroleum exploration, development and production
	PETRONAS Energy Canada Ltd.	**100**	100	Canada	Petroleum exploration, development and production
	PETRONAS E&P Argentina S.A.	**100**	100	Argentina	Petroleum exploration, development and production
	PETRONAS Carigali (Turkmenistan) Sdn. Bhd.	**100**	100	Malaysia	Petroleum exploration, development and production
^	PETRONAS Australia Pty Limited	**100**	100	Australia	Exploration, production and marketing of hydrocarbons; operation of gas transmission pipeline & LNG plants
∞	PETRONAS LNG Ltd.	**100**	100	Malaysia	Trading of LNG and marketing services
*	Malaysia LNG Sdn. Bhd.	**90**	90	Malaysia	Purchase and liquefaction of natural gas and marketing of LNG
*	Malaysia LNG Tiga Sdn. Bhd.	**60**	60	Malaysia	Purchase and liquefaction of natural gas and marketing of LNG
*	PETRONAS Energy & Gas Trading Sdn. Bhd.	**100**	100	Malaysia	Trading and marketing of processed gas
^	Engen Limited	**74**	74	South Africa	Refining of crude oil and marketing of refined petroleum products
^*@	PETRONAS Dagangan Berhad	**63.9**	63.9	Malaysia	Domestic marketing of petroleum products and non-fuel business
^*	PETRONAS Refinery & Petrochemical Corporation Sdn. Bhd.	**100**	100	Malaysia	Development and management of Pengerang Integrated Complex

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

42. KEY SUBSIDIARIES AND ACTIVITIES (continued)

		Effective ownership interest and voting interest			
		2023 %	2022 %	Country of Incorporation	Principal Activities
^*	PETRONAS Trading Corporation Sdn. Bhd.	**100**	100	Malaysia	Marketing of crude oil, trading in crude oil and petroleum products and investment holding
^*@	PETRONAS Chemicals Group Berhad	**64.3**	64.3	Malaysia	Investment holding, production and sale of petrochemicals and specialty products
^*	PETRONAS Lubricants International Sdn. Bhd.	**100**	100	Malaysia	Manufacturing and trading of lubricant products and trading of base oil
^*@	MISC Berhad	**51**	51	Malaysia	Shipping and shipping related activities
^*	KLCC (Holdings) Sdn. Bhd.	**100**	100	Malaysia	Investment holding, property development management and provision of management services
^*	Gentari Sdn. Bhd.	**100**	100	Malaysia	Investment holding and clean energy solutions

^ Holding company of group of entities.
* Subsidiaries held directly by the Company.
∞ Companies incorporated under the Labuan Companies Act 1990.
@ The shares of these subsidiaries are quoted on the Main Market of Bursa Malaysia Securities Berhad.

43. KEY ASSOCIATES AND ACTIVITIES

	Effective ownership interest and voting interest			
	2023 %	2022 %	Country of Incorporation	Principal Activities
BASF PETRONAS Chemicals Sdn. Bhd.	**25.7**	25.7	Malaysia	Purchases propylene and n-butane feedstock from the Group for production, marketing and sale of acrylic, oxo and butanediol products
Bintulu Port Holdings Berhad	**29.7**	29.7	Malaysia	Port management
NorthWind Co Ltd (Dragon R3)	**49**	–	Netherlands	Holding company
CanWind Co Ltd (Dragon R3)	**49**	–	Netherlands	Holding company

NOTES TO THE FINANCIAL STATEMENTS
31 December 2023 (continued)

44. KEY JOINT ARRANGEMENTS AND ACTIVITIES

	Effective ownership interest and voting interest			
	2022 %	**2021 %**	**Country of Incorporation**	**Principal Activities**
INEOS PCG Acetyls Sdn. Bhd.	**19.3**	19.3	Malaysia	Manufacture, sell and distribute acetic acid
Trans Thai-Malaysia (Thailand) Ltd.	**50**	50	Thailand	Gas pipeline transportation and gas separation services
Trans Thai-Malaysia (Malaysia) Sdn. Bhd.	**50**	50	Malaysia	Transporting and delivering gas products
Indianoil PETRONAS Private Limited	**50**	50	India	Manufacture and bottling services of Liquid Petroleum Gas
∞ Malaysia Deepwater Floating Terminal (Kikeh) Limited	**26**	26	Malaysia	Floating production storage and off-loading owner
Pengerang Terminals (Two) Sdn. Bhd.	**40**	40	Malaysia	Undertake activities related to terminal storage facilities for petroleum and petrochemical products
Pengerang Refining Company Sdn. Bhd.	**50**	50	Malaysia	Undertake blending, processing or cracking of crude, condensates, feedstock or intermediate feedstock
Pengerang Petrochemical Company Sdn. Bhd.	**32**	32	Malaysia	Sales of products within ethane, propane chains and ethane derivatives to the joint operators
NP Hai Long Holdings B.V.	**49**	–	Netherlands	Holding company

∞ Company incorporated under the Labuan Companies Act 1990.

INDEPENDENT AUDITORS' REPORT
To the Members of Petroliam Nasional Berhad
(Company No. 197401002911 (20076-K)) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Petroliam Nasional Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and the statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 172.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT

To the Members of Petroliam Nasional Berhad (continued)

(Company No. 197401002911 (20076-K)) (Incorporated in Malaysia)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment or reversal of impairment consideration of property, plant and equipment ("PPE") and intangible assets ("IA")

Refer to Note 3 – Property, Plant and Equipment and Note 9 – Intangible Assets.

The key audit matter	How the matter was addressed in our audit
The Group operates in the oil and gas industry, which has been impacted by fluctuating demand and price forecasts for oil and gas products. This creates a risk that the carrying amounts of the Group's PPE and IA (consisting of goodwill, exploration expenditures, and other intangible assets) and the Company's PPE may exceed their recoverable amounts, requiring impairment testing in accordance with MFRS 136, *Impairment of Assets* ("MFRS 136"). Similarly, an assessment of reversal of impairment must be performed when indicators support reversal of impairment for previously impaired assets (other than goodwill). In assessing impairment or reversal of impairment, PPE and IA (together with other relevant assets) are grouped into relevant cash generating units ("CGU"). The Group has estimated the recoverable amounts for each CGU based on either its value in use or at its fair value less cost to sell, whichever is higher. As a result, a net impairment losses of RM438 million (2022: a net reversal of impairment of RM830 million) for PPE and a net impairment losses of RM50 million (2022: a net impairment losses of RM1,348 million) for IA (refer to Note 26) were recognised in the current financial year. We have identified the evaluation of the carrying amount of the Group's PPE and IA of RM326,398 million (2022: RM301,218 million) (refer Note 3) and RM31,902 million (2022: RM26,260 million) (refer Note 9) respectively as of 31 December 2023 as a key audit matter because: • it is material in the consolidated financial statements and represents 46% (2022: 46%) of the Group's total assets; and • the estimation of recoverable amounts involves a significant degree of judgment exercised and assumptions made by the Group. Key judgmental aspects include assumptions of oil and gas prices, expenditures, oil and gas reserves profile and the use of an appropriate discount rate.	We performed the following audit procedures, among others: i) Assessed the design and implementation of the controls over impairment of assets process. ii) Considered the appropriateness of management's determination of CGUs based on our knowledge of the Group's business and its internal reporting. iii) Evaluated and challenged management regarding the indicators they assess as possible indicators of impairment (or reversal of impairment) for relevant CGUs and individual assets. iv) Verified the accuracy of management's calculations for CGUs subject to impairment (or reversal of impairment) testing. v) Evaluated and challenged key assumptions used in the estimation of recoverable amount, among others: • Oil and gas reserves production profile – assessed whether the production profile is wnhin the field/ reserve lives; • long term outlook of prices – compared to information published by external analysts; • operational and capnal expenditures – compared to information included in the Group's approved budget and actual historical information; and • discount rate – challenged the appropriateness of the discount rate used. vi) Performed stress test over the projected oil and gas prices, operating costs and discount rates. vii) Considered the adequacy of the Group's disclosures about assumptions to which the outcome of the impairment assessment is most sensitive.

INDEPENDENT AUDITORS' REPORT

To the Members of Petroliam Nasional Berhad (continued)

(Company No. 197401002911 (20076-K)) (Incorporated in Malaysia)

Key Audit Matters (continued)

Measurement of provision for decommissioning, dismantling, removal and restoration ("DDRR")

Refer to Note 23 – Other Long-term Liabilities and Provisions.

The key audit matter	How the matter was addressed in our audit
The measurement of the provisions for DDRR for the Group and the Company requires a significant degree of judgment because of the inherent complexities in estimating future costs of DDRR activities. These costs.are provided at the present value of expected costs to settle the obligation using estimated cash flows. The provisions for DDRR are subject to the effects of any changes in oil and gas reserves profile, technology, regulations, the Group's and the Company's expected approach to DDRR activities, inflation, and discount rates, along with the effects of changes in exchange rates. These factors increase the degree of complexity in estimating the DDRR provision in accordance with MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets* ("MFRS 137"). We have identified the measurement of the provision outstanding for DDRR of the Group and the Company amounts of RM49,567 million (2022: RM36,592 million) and RM24,532 million (2022: RM17,362 million) (refer Note 23) respectively as of 31 December 2023 as a key audit matter because: • the balance represents 28% (2022: 23%) and 22% (2022: 17%) of the Group's and Company's non-current liabilities; and • the estimation of DDRR provision involves significant degree of judgments, complex calculations, and estimation uncertainties.	We performed the following audit procedures, among others: i) Assessed the design and implementation of the controls over the DDRR provision estimation process. ii) Assessed the appropriateness of data used in the calculation of the DDRR provision to the originating source. iii) Evaluated and challenged key assumptions used in the DDRR provision calculation, among others: • interest and inflation rates – compared to information from external sources; and • expected future costs – compared to costs incurred on recent similar transactions. iv) Performed consistency testing on the application of key assumptions to respective assets. v) Re-performed the calculation of the DDRR provision for mathematical accuracy. vi) Assessed the adequacy of the disclosures in the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which are obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

INDEPENDENT AUDITORS' REPORT

To the Members of Petroliam Nasional Berhad (continued)

(Company No. 197401002911 (20076-K)) (Incorporated in Malaysia)

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

To the Members of Petroliam Nasional Berhad (continued)

(Company No. 197401002911 (20076-K)) (Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Appendix I.

OTHER MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Muhammad Azman Bin Che Ani
Approval Number: 02922/04/2024 J
Chartered Accountant

Petaling Jaya, Malaysia
Date: 14 March 2024

APPENDIX I

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS

KLCC (Holdings) Sdn. Bhd. and its subsidiaries:

- Putrajaya Homes Sdn. Bhd.
- Convex Malaysia Sdn. Bhd.
- Gas District Cooling (M) Sdn. Bhd.
- Cititower Sdn. Bhd.
- Midciti Resources Sdn. Bhd.
- Gilang Cendana Sdn. Bhd.
- Hasrat Intisari (M) Sdn. Bhd.
- Putrajaya Bina Sdn. Bhd.
- Midciti Sukuk Berhad
- Kenyalang Murni Sdn. Bhd.
- KLCC Projeks Sdn. Bhd.
- KLCC Property Holdings Berhad [@]
- KLCC Projeks Services Sdn. Bhd.
- Kuala Lumpur City Park Berhad
- Layar Intan Sdn. Bhd.
- KLCC Real Estate Investment Trust (KLCC REIT) [@]
- Menara Putrajaya Sdn. Bhd.
- Purnama Sepi Sdn. Bhd.
- Putrajaya Development Sdn. Bhd.
- Putrajaya Group Sdn. Bhd.
- Putrajaya Projects Sdn. Bhd.
- Putrajaya Resources Sdn. Bhd.
- Senandung Asli Sdn. Bhd.
- Tapak Senja Sdn. Bhd.
- Gas District Cooling (KLIA) Sdn. Bhd.
- Arah Maden Sdn. Bhd.
- Quantum Panorama Sdn. Bhd.
- Arena Johan Sdn. Bhd.
- Asas Klasik Sdn. Bhd.
- KLCC Parking Management Sdn. Bhd.
- Rantau Land Sdn. Bhd.
- Gagasan Ria Sdn. Bhd.
- Gas District Cooling (Putrajaya) Sdn. Bhd.
- Rantau Properties Sdn. Bhd.
- Heritage Lane Sdn. Bhd.
- Ilham Merpati Sdn. Bhd.
- Idaman Putrajaya Sdn. Bhd.
- Impian Moden Sdn. Bhd.
- Kelana Perkasa Sdn. Bhd.
- Rantau Recreation Sdn. Bhd.
- KLCC Properties Sdn. Bhd.
- Komponen Abadi Sdn. Bhd.
- Rantau Homes Sdn. Bhd.
- Kuala Lumpur Convention Centre Sdn. Bhd.
- KLCC REIT Management Sdn. Bhd.
- Lembah Putrajaya Sdn. Bhd.
- Metro Kemasik Sdn. Bhd.
- Pedoman Semarak Sdn. Bhd.
- Putrajaya Holdings Sdn. Bhd.
- Putrajaya Management Sdn. Bhd.
- Putrajaya Properties Sdn. Bhd.
- Putrajaya Ventures Sdn. Bhd.
- Serba Harapan (M) Sdn. Bhd.
- Gas District Cooling (Holdings) Sdn. Bhd.
- Gas District Cooling (UTP) Sdn. Bhd.
- Indah Putrajaya Sdn. Bhd.
- Suria KLCC Sdn. Bhd.
- Arena Merdu Sdn. Bhd.
- Impian Cemerlang Sdn. Bhd.
- KLCC Urusharta Sdn. Bhd.
- Kompleks Dayabumi Sdn. Bhd.

Marmel Incorporated and its subsidiaries:

- Darton Ltd.
- GCB Associates, LLC
- Sparknight, LLC
- Paterson Management, LLC
- WG Parcel B, LLC
- Darton U.S. Holdings, Inc.
- Grabhorn Properties, LLC
- World Gateway Investments, Inc.

APPENDIX I (continued)

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

MISC Berhad and its subsidiaries:

- AET Agencies Inc.
- AET Inc. Limited
- AET Offshore Services Inc.
- Eaglestar Marine B.V.
- Eaglestar Shipmanagement Ventures (S) Pte. Ltd.
- AET Tanker Holdings Sdn. Bhd.
- Asia LNG Transport Sdn. Bhd.
- M.I.S.C. Nigeria Limited.
- Asia LNG Transport Dua Sdn. Bhd.
- Malaysian Maritime Academy Sdn. Bhd.
- AET STS Limited Inc.
- MISC Offshore Floating Terminals Dua (L) Ltd.
- MISC Berhad (UK) Limited
- MISC Capital (L) Ltd.
- AET Bermuda One Limited
- MISC Ferry Services Sdn. Bhd.
- MISC International (L) Ltd.
- MISC Offshore Holdings (Brazil) Sdn. Bhd.
- MISC Ship Management Sdn. Bhd.
- Seri Cemara (L) Private Limited
- MISC Tanker Holdings (Bermuda) Ltd.
- Puteri Delima Satu (L) Private Limited
- Puteri Firus Satu (L) Private Limited
- Malaysia Marine and Heavy Engineering Holdings Berhad [@]
- Puteri Intan Satu (L) Private Limited
- Puteri Nilam Satu (L) Private Limited
- Puteri Zamrud Satu (L) Private Limited
- Puteri Zamrud Sdn. Bhd.
- Eaglestar Shipmanagement (USA) LLC
- AET Tankers (Suezmax) Pte. Ltd.
- AET Shuttle Tankers Sdn. Bhd.
- AET MCV Alpha L.L.C.
- AET MCV Gamma L.L.C.
- AET Brasil Services Maritimos Ltda.
- AET Holdings (L) Pte. Ltd.
- Seri Camellia (L) Private Limited
- Seri Cempaka (L) Private Limited
- Seri Cenderawasih (L) Private Limited
- Seri Camar (L) Private Limited
- MMHE International Sdn. Bhd.
- MMHE EPIC Marine & Services Sdn. Bhd.
- Gumusut-Kakap Semi-Floating Production System (L) Limited
- Malaysia Marine and Heavy Engineering Saudi Limited
- Eaglestar Marine Holdings (L) Pte. Ltd.
- Mekar Bergading Offshore Floating (L) Limited
- AET Shuttle Tankers II Pte. Ltd.
- AET Lightering Services LLC
- AET Petroleum Tanker (M) Sdn. Bhd.
- Eaglestar Marine (Malaysia) Sdn. Bhd. (f.k.a. AET Shipmanagement (Malaysia) Sdn. Bhd.)
- AET Tankers India Private Limited
- AET UK Limited
- AET Tankers Pte. Ltd.
- Atenea Services S.A.
- Hendham Enterprises Ltd.
- AET Azerbaijan Limited
- MISC Agencies Sdn. Bhd.
- AET MCV Beta L.L.C
- Malaysia Offshore Mobile Production (Labuan) Ltd.
- MISC Offshore Floating Terminals (L) Ltd.
- MISC Tanker Holdings Sdn. Bhd.
- MMHE LNG Sdn. Bhd.
- AET Sea Shuttle AS
- Oldson Ventures Ltd.
- Gas Asia Terminal (L) Pte. Ltd.
- MISC Tankers Sdn. Bhd.
- Puteri Delima Sdn. Bhd.
- MISC do Brasil Services de Energia Ltda
- Puteri Firus Sdn. Bhd.
- Puteri Intan Sdn. Bhd.
- Puteri Mutiara Satu (L) Private Limited
- Puteri Nilam Sdn. Bhd.
- Techno Indah Sdn. Bhd.
- MISC PNG Shipping Limited
- AET MCV Delta Sdn. Bhd.
- AET Brasil Services STS Ltda
- Paramount Tankers Corp.
- MISC Maritime Services Sdn. Bhd.
- Sungai Udang Port Sdn. Bhd.
- MISC Agencies (Netherlands) B.V.
- AET Singapore One Pte. Ltd.
- Zangwill Business Corp.
- Odley Worldwide Inc.
- AET Product Tankers Sdn. Bhd.
- Twyford International Business Corp.
- Eaglestar Shipmanagement (L) Pte. Ltd.
- Eaglestar Marine (S) Pte. Ltd.
- AET Labuan One Pte. Ltd.
- Eaglestar Shipmanagement GAS (S) Pte. Ltd.
- Portovenere and Lerici (Labuan) Private Limited
- Portovenere and Lerici (Singapore) Pte. Ltd.
- Malaysia Offshore Mobile Production Dua (Labuan) Ltd.

APPENDIX I (continued)

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

MISC Berhad and its subsidiaries (continued):

- AET Labuan Pte. Ltd.
- AET Bermuda Holdings Limited
- AET Singapore Holding Pte. Ltd.
- AET Sea Shuttle II AS
- AET Pte. Ltd.
- AET Norway AS
- AET Malaysia One Sdn. Bhd.
- Eaglestar Marine India Private Limited
- Eaglestar Shipmanagement (S) Pte. Ltd.
- Malaysia Marine and Heavy Engineering Sdn. Bhd.
- Polestar One (S) Pte. Ltd.
- Polaris LNG One Pte. Ltd.
- Polaris LNG Two Pte.Ltd.
- Polaris LNG Three Pte. Ltd.
- Polaris LNG Four Pte. Ltd.
- Seri Everest (Singapore) Pte. Ltd.
- Seri Elbert (Singapore) Pte. Ltd.
- Seri Erlang (Singapore) Pte. Ltd.
- Seri Emory (Singapore) Pte. Ltd.
- Seri Emei (Singapore) Pte. Ltd.
- Seri Emperor (Singapore) Pte. Ltd.
- AET DP Shuttle Pte. Ltd.
- AET DP Shuttle II Pte. Ltd.
- AET DP Shuttle Tankers Sdn. Bhd.
- AET Shuttle Tankers III Pte. Ltd.
- AET Tankers VLCC Pte. Ltd.
- AET Tankers VLCC II Sdn. Bhd.
- AET Tankers VLCC III Pte. Ltd.
- AET Tankers VLCC IV Pte. Ltd.
- AET Tankers VLCC V Pte. Ltd.
- ES Marine Pte. Ltd.
- ES Crewing Pte. Ltd.
- ES Marine Services (Brazil) Ltda.
- SOL-X Pte. Ltd.
- Spares CNX Pte. Ltd.
- CHORD X Pte. Ltd.
- MISC Maritime Education Group Sdn. Bhd. (f.k.a. Magellan X Holdings Sdn. Bhd.)
- MISC Offshore (Americas) Holdings Pte. Ltd.
- MISC Offshore Services Pte. Ltd.
- MISC Strategic Services Holdings (L) Pte. Ltd.
- MISC Offshore (USA) LLC
- MISC Offshore (Singapore) Pte. Ltd.
- MISC Serviços de Petróleo do Brasil Ltda.
- MISC Capital Two (Labuan) Limited
- Magellan X Pte. Ltd.
- MHS Integrated Engineering Sdn. Bhd.
- Puteri Delima (L) Pte. Ltd.
- Puteri Intan (L) Pte. Ltd.
- Puteri Nilam (L) Pte. Ltd.
- Puteri Zamrud (L) Pte. Ltd.
- MISC OBU Holdings (L) Pte. Ltd.
- MISC OBU One (L) Pte. Ltd.
- MISC OBU Two (L) Pte. Ltd.
- MTTI Sdn. Bhd.
- Oasis LNG Destiny Pte. Ltd.
- Southern Gas Terminal (L) Private Limited
- Magellan X Holdings (L) Pte. Ltd.
- MGLNX India Private Limited
- MISC AET Holdings (L) Pte. Ltd.
- MISC Assets Holdings (L) Pte. Ltd.
- MISC GAS Holdings (L) Pte. Ltd.
- MISC GAS Tankers One (L) Pte. Ltd.
- MISC GAS Tankers Two (L) Pte. Ltd.

PETRONAS Carigali Sdn. Bhd. and its subsidiaries:

- E&P Venture Solutions Co Sdn. Bhd.
- PETRONAS Carigali Overseas Sdn. Bhd.
- PETRONAS Carigali (Ketapang) Ltd.
- PETRONAS Carigali (Surumana) Ltd.
- PETRONAS Carigali White Nile (5B) Ltd.
- PETRONAS Carigali Nigeria Limited
- PETRONAS Carigali (West Glagah Kambuna) Ltd.
- E&P Malaysia Venture Sdn. Bhd.
- PC Ketapang II Ltd.
- PC Randugunting Ltd.
- PC JDA Limited.
- PETRONAS CCS Solutions Sdn. Bhd.
- PETRONAS CCS Ventures Sdn. Bhd.
- Vestigo Petroleum Sdn. Bhd.

APPENDIX I (continued)

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

PETRONAS Lubricants International Sdn. Bhd.'s subsidiaries:

- PETRONAS Lubricants Italy S.p.A [α]
- Arexons Srl. [α]
- PETRONAS Lubrificantes Brasil S.A. [α]
- PETRONAS Lubricants France S.a.s. [α]
- PT PLI Indonesia
- PETRONAS Lubricants Spain S.L.U. [α]
- PETRONAS Lubricants Belgium N.V. [α]
- PETRONAS Madeni Yaglar TIC Limited STI [α]
- PETRONAS Lubricants (India) Private Limited [α] [γ]
- Viscosity Oil Co.
- PETRONAS Lubricants China Company Limited [α]
- PLI (Netherlands) B.V.
- PL NA Mexico S de RL de CV
- PETRONAS Lubricants Africa Limited [α]
- FL Nominees Ltd.
- PETRONAS Lubricants Poland Sp. Zo.o [α]
- PETRONAS Lubricants Argentina S.A [α]
- PETRONAS Lubricants Great Britain Limited [α]
- PETRONAS Lubricants Deutschland Gmbh [α]
- PLAL Egypt LLC
- PETRONAS Marketing China Company Limited [α]
- PLI Australia Pty. Limited [γ]
- PETRONAS Lubricants International (China) Company Limited (f.k.a. PETRONAS Lubricants (Shandong) Company Limited) (a)
- PETRONAS International Marketing (Thailand) Company Limited
- PLAL DMCC [α]
- PLB Solution Ltda [α]

PETRONAS International Corporation Ltd. and its subsidiaries:

- Labuan Energy Corporation Ltd.
- PAPL (Upstream) Pty. Limited
- PC Muriah Ltd
- PC Myanmar (Hong Kong) Limited
- PAPL Services Pty. Limited
- PAPL (Upstream II) Pty. Limited
- PSE Kinsale Energy Limited
- PETRONAS Energy Trading Limited
- PETRONAS Carigali Myanmar Inc.
- PETRONAS Carigali Nile Ltd.
- PETRONAS Carigali Myanmar III Inc.
- PETRONAS Philippines Inc. [α] [γ]
- Argentinean Pipeline Holding Company S.A.[α] [γ]
- PETRONAS (Thailand) Co. Ltd. [α]
- Japan Malaysia LNG Co. Ltd.
- PETRONAS LNG Sdn. Bhd.
- PICL (Egypt) Corporation Ltd.
- PCM Chemical India Private Limited
- PETRONAS Management Services DMCC
- PETRONAS LNG Ltd.
- MITCO Labuan Co. Limited
- LEC Ireland Employment Ltd.
- Nada Properties Company Ltd.
- PAPL (Downstream) Pty. Limited
- PC (Myanmar) Holdings Limited [γ]
- PETRONAS Australia Pty. Limited
- PETRONAS Carigali (Jabung) Ltd.
- PETRONAS Carigali (Turkmenistan) Sdn. Bhd.
- PETRONAS (E&P) Overseas Ventures Sdn. Bhd.
- PC Mauritania 1 Pty. Ltd. [α]
- PC Mauritania II B.V. [α]
- PSE Ireland Limited
- PETRONAS Energy (India) Private Limited
- PICL Marketing Thailand Ltd.
- LNG Investments Europe Limited
- WDDM Energy Ltd. (f.k.a. PC Oman Ltd.)
- PFLNG 3 Sdn. Bhd.

APPENDIX I (CONTINUED)

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

PETRONAS (E&P) Overseas Ventures Sdn. Bhd. and its subsidiaries:

- Garraf Technical Services Ltd.
- Natuna 1 B.V.
- North Montney LNG Ltd. Partnership
- PC Carigali Mexico Oil and Gas Holding S.A. de C.V.
- PC Carigali Mexico Operations S.A. de C.V.
- PC Gabon Upstream S.A
- PC Gambia Ltd.
- PC Kuala Kurun Ltd
- PC Madura Ltd.
- PC North Madura II Ltd.
- PC Oman Ventures Ltd.
- PC Sakakemang B.V.
- PC Senegal Ltd. (f.k.a PC Sakakemang Ltd.)
- PC Vietnam Limited
- Petroliam Manpower Services Mexico S.A. de C.V.
- Petroliam Manpower Support Service Mexico S.A. de C.V.
- PETRONAS Abu Dhabi Sdn Bhd
- PETRONAS Andaman Ill Indonesia B.V.
- PETRONAS Angola E&P Ltd.
- PETRONAS Aru Indonesia B.V.
- PETRONAS Brasil E&P Limitada
- PETRONAS Canada LNG Ltd.
- PETRONAS Carigali (Australia) Pty. Ltd.
- PETRONAS Carigali Brunei Ltd.
- PETRONAS Carigali Canada B.V.
- PETRONAS Carigali International E&P B.V.
- PETRONAS Carigali International Sdn. Bhd.
- PETRONAS Carigali Iraq Holding B.V.
- PETRONAS E&P Argentina S.A.
- PETRONAS Energy Canada Ltd. [α]
- PETRONAS Gebang Indonesia B.V.
- PETRONAS Iraq (Garraf) Ltd.
- PETRONAS Masela Sdn Bhd
- PETRONAS North Ketapang Sdn. Bhd.
- PETRONAS Petróleo Brasil Limitada
- PETRONAS South Caucasus S.à r.l.
- PETRONAS Suriname E&P B.V.
- PETRONAS West Papua IV Indonesia B.V.
- Progress Resources Gulf of Mexico LLC
- Progress Resources USA Ltd.
- PSE Seven Heads Limited
- PETRONAS Azerbaijan Upstream Sdn. Bhd.
- PETRONAS Azerbaijan (Shah Deniz) S.à r.l.

PETRONAS Marketing International Sdn. Bhd. and its subsidiaries:

- Azania Petroleum (Pty.) Ltd.
- Citycat Properties (Pty.) Ltd.
- Petroleum Investment Holding Ltd.
- Engen Holdings (Ghana) Ltd.
- Engen Lesotho (Pty.) Ltd.
- Engen Marketing Botswana (Pty.) Ltd.
- Engen (Nigeria) Ltd.[α]
- Engen eSwatini (Pty.) Ltd.
- Enpet Insurance Ltd.
- lmtrasel (Pty.) Ltd.
- Trek Petroleum (Pty.) Ltd.
- Engen Petroleum (Mauritius) Ltd.
- Pakenzyl (Pty.) Ltd.
- Engen Investment Holdings
- PETRONAS Mobility Lestari Sdn. Bhd.
- Engen Company (Mauritius) Ltd.
- Engen Botswana Ltd. [β]
- Engen Holdings (Pty.) Ltd.
- Engen Limited
- Engen Marketing Ltd.
- Engen Namibia (Pty.) Ltd.
- Engen Producing (Nigeria) Ltd.[α]
- Engen Petroleum (DRC) Ltd.
- Renaissance Petroleum (Pty.) Ltd.
- Enpet Africa Insurance Ltd.
- Engen Oil Lesotho (Pty.) Ltd.
- Zenex Oil (Pty.) Ltd.
- Engen Petroleum Ltd.
- Engen DRC SARL

APPENDIX I (continued)

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

PETRONAS Assets Sdn. Bhd. and its subsidiaries:

- PETRONAS Digital Sdn. Bhd.
- Petrofibre Network (M) Sdn. Bhd.

PETRONAS Trading Corporation Sdn. Bhd.'s subsidiaries:

- PETCO Trading (UK) Limited [α]
- PT PETRONAS Niaga Indonesia
- PETCO Trading DMCC [α]

PETRONAS Technical Services Sdn. Bhd.'s subsidiaries:

- PTSSB DMCC
- PIV Fund II, L.P.
- Virtus IP Sdn. Bhd.
- Twin Towers Ventures Fund 2 Pte Ltd [α]
- Piva Capital, Inc. (f.k.a. PTV International Ventures Americas, Inc.)
- Twin Towers Ventures GP Pte Ltd [α]
- Twin Tower Ventures Pte Ltd [α]

PETRONAS Chemicals Group Berhad's subsidiaries:

- Da Vinci Group B.V
- PCM (Thailand) Company Limited [γ]
- PCM (China) Company Limited [α]
- PETRONAS Chemicals International B.V.
- PT PCM Kimia Indonesia
- Perstop Holding AB

Da Vinci Group B.V. and its subsidiaries:

- BRB Central Eastern Europe Sp. z.o.o.
- BRB SIL Invest B.V.
- BRB International B.V.
- BRB LAC Invest B.V.
- BRB LAC Singapore Pte. Ltd.
- BRB Lube Oil Additives & Chemicals B.V.
- BRB South America Representacao Commercial Ltda.
- Viscotech Asia Pte. Ltd.
- BRB North America, Inc.
- BRB Hong Kong Limited
- BRB Silicones South Africa Pty. Ltd.
- BRB Singapore Pte. Ltd.
- BRB Malaysia Sdn. Bhd.
- Qingdao BRB Trading Co. Ltd.
- BRB ST Kimyasal Sanayi ve Ticaret AS.
- CSL Silicones Inc.
- BRB Silicones UK Ltd.
- BRB Singapore Pte Ltd.
- BRB South Korea Limited

APPENDIX I (continued)

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

Perstorp Holding AB and its subsidiaries:

- Perstorp Financial Services AB
- Perstorp Services AB
- Perstorp AB
- Perstorp Quimica do Brasil Ltda
- Perstorp Sales France Sas
- Perstorp S.p.A.
- Perstorp Japan Co Ltd
- Perstorp Chemicals Asia PTE Ltd
- Perstorp Iberica SL
- Perstorp Services UK Ltd
- Perstorp Fastighets AB
- Perstorp Formulas AB
- Perstorp Specialty Chemicals AB
- Perstorp Oxo AB
- Perstorp (Shanghai) Chemical Trading Co. Ltd
- Perstorp Storitve d.o.o.
- Perstorp Industries India Private Ltd
- Perstorp India Private Ltd
- Perstorp Equipment S.r.l.
- Shandong Fufeng Perstorp Chemical Co.Ltd
- Perstorp Holding B.V.
- Perstorp Specialty Chemicals Holding B.V.
- Perstorp Chemicals India Private Ltd
- Perstorp Chemicals Korea Co. Ltd
- Perstorp Specialty Chemicals B.V.
- Perstorp Waspik B.V.
- Perstorp Holding GmbH
- Perstorp Chemicals GmbH
- Perstorp Service GmbH
- Perstorp Polyols Inc.
- Perstorp Specialty Fluids AB
- Perstorp Holding (U.S.) Inc.

Gentari Sdn. Bhd. and its subsidiaries:

- GENTARI Hydrogen Sdn. Bhd. (f.k.a. PETRONAS Hydrogen Sdn. Bhd.)
- GENTARI Green Mobility Sdn. Bhd.
- Gentari International Renewables Pte. Ltd.
- GENTARI Renewables Sdn Bhd (f.k.a PETRONAS Power Sdn Bhd)

GENTARI Green Mobility Sdn. Bhd. and its subsidiaries:

- Gentari Green Mobility Charge (Thailand) Ltd.
- PT Gentari Green Mobility Fleet
- Amplus Power Supply Private Limited [α]

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

Gentari International Renewables Pte. Ltd. and its subsidiaries:

- Amplus Active Private Limited [α]
- Amplus Ages Private Limited [α]
- Amplus Alpha Solar Private Limited [α]
- Amplus Ampere Private Limited [α]
- Amplus Andhra Power Private Limited [α]
- Amplus Athena Energy Private Limited [α]
- Amplus Beat Energy Private Limited [α]
- Amplus Cenedus Solar Private Limited
- Amplus Centaur Solar Private Limited [α]
- Amplus Coastal Power Private Limited [α]
- Amplus Dakshin Private Limited [α]
- Amplus Energy Solutions (Thailand) Co. Ltd.
- Amplus Energy Solutions FZE
- Amplus Energy Solutions Private Limited. (India) [α]
- Amplus Energy Solution Pte. Ltd. (Singapore)
- Amplus EON Private Limited [α]
- Amplus Everest Solar Private Limited
- Amplus Fortuna Private Limited
- Amplus Ganges Solar Private Limited
- Amplus Green One Power Private Limited [α]
- Amplus Green Power Private Limited [α]
- Amplus Helios Private Limited [α]
- Amplus IIFA Solar Private Limited [α]
- Amplus Iru Private Limited [α]
- Amplus Jyotimangal Energy Private Limited [α]
- Amplus Kaveri Solar Private Limited
- Amplus Kemet Solar Private Limited
- Amplus KN One Power Private Limited [α]
- Amplus KN Solar Private Limited [a]
- Amplus Management Services Private Limited [α]
- Gentari Renewables Australia Pty Ltd
- Amplus Omega Solar Private Limited
- Amplus Pavagada Solar Energy Two Private Limited (f.k.a. Acme Rewari Solar Power Private Limited)
- Amplus Phoenix Energy Private Limited [α]
- Amplus Poorva Private Limited [α]
- Amplus Power Solutions Private Limited [α]
- Amplus RJ Solar Private Limited [α]
- Amplus Shams Private Limited [α]
- Amplus Solar Power MH Private Limited [α]
- Amplus Solar Power Private Limited [α]
- Amplus Solar Shakti Private Limited [α]
- Amplus Solar Solutions Private Limited [α]
- Amplus Sun Beat Private Limited
- Amplus Sun Solutions Private Limited [α]
- Amplus Sunlight Private Limited [α]
- Amplus Sunshine Private Limited [α]
- Amplus Superior Solar Private Limited [α]
- Amplus Theta Energy Private Limited
- Amplus Tumkur Solar Energy One Private Limited (f.k.a. Acme Kurukshetra Solar Energy Private Limited)
- Amplus Venus Private Limited [α]
- Amplus Vidyut Power Private Limited [α]
- Amplus Virgo Solar Private Limited
- Ananth Solar Power Maharashtra [α]
- Barnawartha HoldCo Pty Ltd
- Barnawartha Solar Pty Ltd
- Bright Acre Energy Pty Ltd
- Clermont Asset Co Pty Ltd
- Clermont Solar Unit Trust
- Fourvolt Solar Private Limited [α]
- Gannawarra Solar Farm Pty Ltd
- Gentari Renewables Australia (Solar) Pty Ltd
- Gentari Renewables India Pte Limited
- Gentari Renewables India Management Pvt Ltd (Amplus Uttar Private Limited) [α]
- Grian Energy Private Limited [α]
- Hamilton Solar Farm Pty Ltd
- Maryvale HoldCo Pty Ltd
- Maryvale Solar Farm Pty Ltd
- Nay Energy Private Limited [α]
- Onevolt Energy Private Limited [α]
- Solbridge Energy Private Limited [α]
- Sungaze Power Private Limited [α]
- Sunroot Energy Private Limited [α]
- Sunterrace Energy One Private Limited [α]
- W&C Finco Pty Ltd
- Wattvolt Energy Private Limited [α]
- Wednesday Solar Private Limited [α]
- WEL 1 Pty Ltd
- Welee Australia HoldCo Pty Ltd
- Welee Australia SubHoldCo Pty Ltd
- Wemen Asset Co Pty Ltd
- Wemen East Sun Farm Pty Ltd
- Wemen Solar Unit Trust
- Wemen West Sun Farm Pty Ltd
- Whitsunday Solar Farm Pty Ltd
- Wirsol Energy Pty Ltd

APPENDIX I (continued)

SUBSIDIARIES AUDITED BY OTHER FIRMS OF ACCOUNTANTS (continued)

GENTARI Renewables Sdn Bhd (f.k.a PETRONAS Power Sdn Bhd) and its subsidiaries:

- Gentari Suria Resi Sdn. Bhd.
- Gentari Suria SV Sdn. Bhd.

Institute of Technology PETRONAS Sdn. Bhd. and its subsidiaries:

- UTP Futuretech Sdn. Bhd.

PETRONAS Management Training Sdn. Bhd. and its subsidiaries:

- PING23 Sdn. Bhd.

Subsidiaries held directly by the Company:

- Energas Insurance (L) Limited
- PETRONAS NGV Sdn. Bhd.
- PETRONAS Global Sukuk Limited
- PETRONAS International Power Corporation BV (α)
- PETRONAS Capital Limited
- PETRONAS Hartabina Sdn. Bhd.
- PETRONAS Technical Training Sdn. Bhd.
- Yayasan UTP

α Audited by affiliates of KPMG.
@ The shares of this subsidiary are quoted on the Main Market of Bursa Malaysia Securities Berhad.
ϒ Consolidated based on management financial statements.
β The shares of this subsidiary are quoted on the Botswana Stock Exchange.

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