PETRONAS CHEMICALS GROUP BERHAD
(459830-K)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2015

The Board of Directors of PETRONAS Chemicals Group Berhad ("PCG" or "the Company") is pleased to announce the following unaudited condensed consolidated financial statements for the quarter and year ended 31 December 2015 which should be read in conjunction with the accompanying explanatory notes on pages 8 to 25.

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

		Individual quarter ended 31 December		Year ended 31 December	
In RM Mil	**Note**	**2015**	**2014**	**2015**	**2014**
Revenue		3,449	3,901	13,536	14,597
Cost of goods sold		(2,428)	(2,645)	(8,989)	(10,150)
Gross profit		1,021	1,256	4,547	4,447
Selling and distribution expenses		(152)	(159)	(615)	(603)
Administration expenses		(181)	(134)	(582)	(551)
Other expenses		73	(407)	(391)	(471)
Other income		137	231	798	609
Operating profit	B5	898	787	3,757	3,431
Financing costs	B6	-	(34)	(11)	(46)
Share of profit of equity accounted joint ventures and associates, net of tax		14	25	87	166
Profit before taxation		912	778	3,833	3,551
Tax expense	B7	(121)	(208)	(742)	(825)
PROFIT FOR THE PERIOD		791	570	3,091	2,726
Other comprehensive income/ (expenses)					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences		(86)	72	362	71
Share of other comprehensive (expenses)/income of equity accounted joint ventures and associates		(23)	43	197	41
		(109)	115	559	112
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		682	685	3,650	2,838

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

		Individual quarter ended 31 December		Year ended 31 December	
In RM Mil	**Note**	**2015**	**2014**	**2015**	**2014**
Profit attributable to:					
Shareholders of the Company		704	500	2,782	2,465
Non-controlling interests		87	70	309	261
PROFIT FOR THE PERIOD		791	570	3,091	2,726
Total comprehensive income attributable to:					
Shareholders of the Company		595	615	3,341	2,577
Non-controlling interests		87	70	309	261
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**682**	**685**	**3,650**	**2,838**
Basic earnings per share attributable to shareholders of the Company					
Based on ordinary shares issued (sen)	B18	9	6	35	31

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM Mil	Note	As at 31 December 2015	As at 31 December 2014
ASSETS			
Property, plant and equipment		16,597	14,255
Investments in joint ventures and associates		1,280	866
Intangible assets		5	7
Long term receivables		8	9
Deferred tax assets		389	475
TOTAL NON-CURRENT ASSETS		18,279	15,612
Trade and other inventories		1,404	1,239
Trade and other receivables		1,692	1,674
Current tax assets		129	131
Fund and other investments		622	-
Cash and cash equivalents		8,707	9,807
TOTAL CURRENT ASSETS		12,554	12,851
TOTAL ASSETS		30,833	28,463
EQUITY			
Share capital		800	800
Reserves		23,983	21,922
Total equity attributable to shareholders of the Company		24,783	22,722
Non-controlling interests		1,807	1,755
TOTAL EQUITY		26,590	24,477
LIABILITIES			
Deferred tax liabilities		814	941
Other long term liabilities and provisions		355	567
TOTAL NON-CURRENT LIABILITIES		1,169	1,508
Trade and other payables		2,902	2,395
Borrowings	B11	30	-
Current tax payables		142	83
TOTAL CURRENT LIABILITIES		3,074	2,478
TOTAL LIABILITIES		4,243	3,986
TOTAL EQUITY AND LIABILITIES		30,833	28,463

The condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Shareholders of the Company								
	Non-Distributable					*Distributable*			
	Share Capital	Share Premium	Foreign Currency Translation Reserve	Merger Reserve	Other Reserves	Retained Profits	Total	Non-controlling Interests	Total Equity
	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil
Balance as at 1 January 2014	800	8,071	4	(204)	131	12,934	21,736	1,653	23,389
Foreign currency translation differences	-	-	71	-	-	-	71	-	71
Share of other comprehensive expense of equity accounted joint ventures and associates	-	-	-	-	41	-	41	-	41
Total other comprehensive expense for the year	-	-	71	-	41	-	112	-	112
Profit for the year	-	-	-	-	-	2,465	2,465	261	2,726
Total comprehensive income for the year	-	-	71	-	41	2,465	2,577	261	2,838
Dividends to shareholders of the Company	-	-	-	-	-	(1,600)	(1,600)	-	(1,600)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(157)	(157)
Others	-	-	(1)	-	(34)	44	9	(2)	7
Total transactions with shareholders of the Company	-	-	(1)	-	(34)	(1,556)	(1,591)	(159)	(1,750)
Balance as at 31 December 2014	**800**	**8,071**	**74**	**(204)**	**138**	**13,843**	**22,722**	**1,755**	**24,477**

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

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QUARTERLY REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2015

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to Shareholders of the Company								
	Non-Distributable					*Distributable*			
	Share Capital	Share Premium	Foreign Currency Translation Reserve	Merger Reserve	Other Reserves	Retained Profits	Total	Non-controlling Interests	Total Equity
	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil
Balance as at 1 January 2015	800	8,071	74	(204)	138	13,843	22,722	1,755	24,477
Foreign currency translation differences	-	-	362	-	-	-	362	-	362
Share of other comprehensive expense of equity accounted joint ventures and associates	-	-	-	-	197	-	197	-	197
Total other comprehensive expense for the year	-	-	362	-	197	-	559	-	559
Profit for the year	-	-	-	-	-	2,782	2,782	309	3,091
Total comprehensive income for the year	-	-	362	-	197	2,782	3,341	309	3,650
Redemption of Redeemable Preference Shares in subsidiaries	-	-	-	-	152	(152)	-	(111)	(111)
Dividends to shareholders of the Company	-	-	-	-	-	(1,280)	(1,280)	-	(1,280)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(146)	(146)
Total transactions with shareholders of the Company	-	-	-	-	152	(1,432)	(1,280)	(257)	(1,537)
Balance as at 31 December 2015	**800**	**8,071**	**436**	**(204)**	**487**	**15,193**	**24,783**	**1,807**	**26,590**

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

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QUARTERLY REPORT FOR THE QUARTER ENDED 31 December 2015

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In RM Mil	**Year ended 31 December**	
	2015	**2014**
Cash receipts from customers	13,965	14,743
Cash paid to suppliers and employees	(9,257)	(10,065)
	4,708	4,678
Interest income received	350	398
Taxation paid	(724)	(881)
Cash flows generated from operating activities	**4,334**	**4,195**
Increase in investment in an associate	(284)	(172)
Dividends received from equity accounted joint ventures and associates	154	257
Purchase of property, plant and equipment	(2,858)	(2,818)
Proceeds from sale of property, plant and equipment	3	3
Proceeds from finance lease receivables	-	3
Islamic deposits with licensed financial institution	(622)	-
Cash flows used in investing activities	**(3,607)**	**(2,727)**
Dividend paid to:		
- PETRONAS	(824)	(1,030)
- Other (third parties)	(456)	(570)
- Non-controlling interests of subsidiaries	(146)	(157)
Drawdown of revolving credit	30	30
Redemption of redeemable preference shares held by non-controlling interests	(111)	-
Repayment of finance lease liabilities	(55)	(55)
Repayment of revolving credit	-	(30)
Payment for onerous contracts	-	(13)
Cash flows used in financing activities	**(1,562)**	**(1,825)**

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QUARTERLY REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2015

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Year ended 31 December	
In RM Mil	**2015**	**2014**
Net cash flows from operating, investing and financing activities	**(835)**	**(357)**
Effects of foreign currency translation differences	(383)	-
Net decrease in cash and cash equivalents	**(1,218)**	**(357)**
Net foreign exchange difference on cash held	118	9
Cash and cash equivalents at beginning of the year	9,807	10,155
Cash and cash equivalents at end of the year	**8,707**	**9,807**

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

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QUARTERLY REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2015

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. BASIS OF PREPARATION

The condensed financial statements are unaudited and have been prepared in accordance with IAS 34, MFRS 134, *Interim Financial Reporting* and paragraph 9.22 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements. They should also be read in conjunction with the financial statements of the Group for the year ended 31 December 2014 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

Within the context of these condensed consolidated financial statements, the Group comprises the Company and its subsidiaries, and the Group's interest in joint ventures and associates as at and for the quarter and year ended 31 December 2015.

A2. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the same accounting policies and methods of computation are followed in the condensed consolidated financial statements as compared with the consolidated financial statements for 31 December 2014.

As of 1 January 2015, the Group have adopted the following MFRSs and amendments (collectively referred to as "pronouncements") which are effective for annual years beginning on or after 1 July 2014.

Effective beginning on or after 1 July 2014

Amendments to MFRS 3	*Business Combinations (Annual Improvements 2010 – 2012 Cycle and 2011 – 2013 Cycle)*
Amendments to MFRS 8	*Operating Segments (Annual Improvements 2010 – 2012 Cycle)*
Amendments to MFRS 13	*Fair Value Measurement (Annual Improvements 2011 – 2013 Cycle)*
Amendments to MFRS 116	*Property, Plant and Equipment (Annual Improvements 2010 – 2012 Cycle)*
Amendments to MFRS 119	*Employee Benefits – Defined Benefit Plans: Employee Contributions*
Amendments to MFRS 124	*Related Party Disclosures (Annual Improvements 2010 – 2012 Cycle)*
Amendments to MFRS 138	*Intangible Assets (Annual Improvements 2010 – 2012 Cycle)*

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

A3. AUDIT QUALIFICATION

The audited financial statements of PCG and its subsidiaries for the year ended 31 December 2014 were not subject to any audit qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The prices of petrochemical products and their underlying feedstock are subject to significant fluctuations as they are influenced both by global supply and demand as well as movements in the prices of key commodities such as crude oil and natural gas. Consequently, margins have historically been cyclical and are sensitive to supply and demand imbalances both domestically and internationally. Supply is affected by significant capacity expansions by producers, and if such additions are not matched by corresponding growth in demand, which is generally linked to the level of economic activity, average industry operating margins will face downward pressures. As a result, the petrochemical cycle is characterised by years of tight supply, leading to high capacity utilisation rates and margins, followed by years of oversupply, primarily resulting from significant capacity additions, leading to reduced capacity utilisation rates and margins.

A5. EXCEPTIONAL ITEMS

There were no exceptional items during the year ended 31 December 2015.

A6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of the amounts reported in the most recent annual financial statements of PCG and its subsidiaries for the year ended 31 December 2014 that may have a material effect in the results of the year under review.

A7. DEBTS AND EQUITY SECURITIES

There were no material issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the year ended 31 December 2015.

A8. DIVIDENDS PAID

During the year under review, the Company paid:

(i) A second interim single tier dividend of 8 sen per ordinary share amounting to RM640 million in respect of the financial year ended 31 December 2014 to shareholders on 24 March 2015.

(ii) A first interim single tier dividend of 8 sen per ordinary share amounting to RM640 million in respect of the financial year ended 31 December 2015 to shareholders on 9 September 2015.

A9. SEGMENT RESULTS AND REPORTING

- Olefins and Derivatives – activities include manufacturing and marketing of a wide range of olefin and polymer products, which are used as basic feedstock for other products, to intermediate products including basic and high performance chemicals.
- Fertilisers and Methanol – activities include manufacturing and marketing of methanol and a range of nitrogen, phosphate and compound fertilisers.
- Others – other non-reportable segment comprises operations related to investment holding company and port services which provide product distribution infrastructure to the Group, which only contributes 0.3% (2014: 0.3%) of the Group's revenue and represents 9.0% (2014: 9.7%) of the Group's assets.

9.1 Revenue

	Year ended 31 December					
	External customers		**Inter segment**		**Gross total revenue**	
In RM Mil	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Olefins and Derivatives	9,495	10,510	12	8	9,507	10,518
Fertilisers and Methanol	3,995	4,046	192	197	4,187	4,243
Others	46	41	40	33	86	74
Total	13,536	14,597	244	238	13,780	14,835

9.2 Profit for the year (1)

	Year ended 31 December	
In RM Mil	**2015**	**2014**
Olefins and Derivatives	1,993	1,813
Fertilisers and Methanol	1,059	898
Others	39	15
Total	3,091	2,726

(1) Included within profit for the quarter for Olefins and Derivatives, Fertilisers and Methanol and Others segments are depreciation and amortisation expenses amounting to RM800 million (2014: RM810 million), RM459 million (2014: RM393 million) and RM20 million (2014: RM16 million) respectively.

A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment for the year under review. As at 31 December 2015, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

A11. SIGNIFICANT EVENT

On 3 November 2015, PCG accepted an offer from PETRONAS Refinery and Petrochemical Corporation Sdn Bhd ("PRPC"), a wholly owned subsidiary of Petroliam Nasional Berhad ("PETRONAS"), to acquire 100% equity of three companies (PRPC Glycols Sdn Bhd, PRPC Polymers Sdn Bhd and PRPC Elastomers Sdn Bhd). The three companies will undertake petrochemical projects which are part of the Refinery and Petrochemicals Integrated Development ("RAPID") project in Johor, Malaysia.

Details of the transaction is as stated in a separate Bursa Announcement issued on 3 November 2015.

A12. CONTINGENCIES

There were no material contingent liabilities or contingent assets since the last consolidated statement of financial position as at 31 December 2014.

A13. CHANGES IN THE COMPOSITION OF THE GROUP

The changes in the composition of the Group for the current financial year are as disclosed in Note A11.

A14. CAPITAL COMMITMENTS

Capital expenditures which have not been provided for at the end of each reporting year are as follows:

In RM Mil	As at 31 December 2015	As at 31 December 2014
Property, plant and equipment:		
Approved and contracted for	7,843	1,417
Approved but not contracted for	9,401	1,940
	17,244	3,357

Included in the above are amounts of RM14,666 million (2014: Nil) relating to the development of petrochemical plants which are part of the RAPID project in Pengerang, Johor and RM1,458 million (2014: RM1,841 million) for a new world scale fertiliser plant in Sipitang, Sabah.

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

A15. FAIR VALUE INFORMATION

The carrying amounts of cash and cash equivalents, and short term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

When measuring the fair value of an asset or a liability, the Group uses 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. prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable input).

The Group recognises transfer between levels of fair value hierarchy as of the date of the event or change in circumstances that caused the transfer.

Forward foreign exchange contracts

The fair value of forward foreign exchange contracts is based on the difference between the contracted forward rates and the Mark-To-Market (MTM) rates. If a quoted market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

Finance lease liabilities

The fair values of finance lease liabilities, 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.

A15. FAIR VALUE INFORMATION (continued)

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.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
As at 31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**	**Total**
In RM Mil										
Financial assets										
Forward foreign exchange contracts	-	9	-	9	-	-	-	-	9	9
Financial liabilities										
Forward foreign exchange contracts	-	(720)	-	(720)	-	-	-	-	(720)	(720)
Finance lease liabilities	-	-	-	-	-	-	(183)	(183)	(183)	(183)
	-	(720)	-	(720)	-	-	(183)	(183)	(903)	(903)

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

A15. FAIR VALUE INFORMATION (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
As at 31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**	**Total**
In RM Mil										
Financial assets										
Forward foreign exchange contracts	-	13	-	13	-	-	-	-	13	13
Financial liabilities										
Forward foreign exchange contracts	-	(118)	-	(118)	-	-	-	-	(118)	(118)
Finance lease liabilities	-	-	-	-	-	-	(229)	(229)	(229)	(226)
	-	(118)	-	(118)	-	-	(229)	(229)	(347)	(344)

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PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS

B1. REVIEW OF GROUP PERFORMANCE

(a) Performance of the current quarter against the corresponding quarter

	Quarter ended 31 December					
	Group		**Olefins and Derivatives**		**Fertilisers and Methanol**	
In RM Mil	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Revenue	3,449	3,901	2,439	2,680	1,056	1,264
Profit	791	570	578	316	246	254
EBITDA(1)	1,020	1,341	781	877	338	504

During the quarter, the Group recorded plant utilisation of 86% compared to 88% in the corresponding quarter on the back of slightly higher level of maintenance activities.

Both production and sales volumes marginally decreased in tandem with plant utilisation.

Product prices averaged lower in line with the decline in crude oil price, exacerbated by weaker demand amidst slowing economic growth.

Group revenue of RM3.4 billion was lower by 12% or RM452 million compared to the corresponding quarter following lower prices and slightly lower sales volume, which offset the impact of favourable exchange rate movement.

Consequently, EBITDA declined by RM321 million or 24% to RM1 billion. Profit for the quarter was higher by RM221 million or 39% to RM791 million mainly due to impairment loss in the corresponding quarter on assets relating to the Group’s butane-MTBE chain of RM262 million. Excluding the impairment loss, profit would have been lower by RM41 million or 5%.

(1) EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit of equity accounted joint ventures and associates and other significant non-cash items.

B1. REVIEW OF GROUP PERFORMANCE (continued)

(a) Performance of the current quarter against the corresponding quarter (continued)

Olefins and Derivatives

The segment maintained a very strong plant utilisation of 95% compared to 93% in the corresponding quarter resulting from higher ethane supply, which offset higher level of maintenance activities at the larger cracker. Both production and sales volumes were comparable.

Product prices are adversely affected by the sharp decline in crude oil and naphtha prices, compounded by subdued market demand largely attributable to the muted economic growth in China.

Revenue for the quarter declined by RM241 million or 9% to RM2.4 billion due to lower average product prices, offset by a favourable foreign exchange movement. EBITDA decreased by RM96 million or 11% to RM781 million, primarily as a result of lower product spreads. Profit for the quarter, however, was higher by RM262 million or 83% at RM578 million mainly due to impairment loss in the corresponding quarter on assets relating to the Group's butane-MTBE chain. Excluding the impairment loss, profit would have been comparable.

Fertilisers and Methanol

The segment's plant utilisation dropped to 79% compared to 84% in the corresponding quarter mainly as a result of methane supply limitation at the Group's methanol facilities.

As a result, both production and sales volumes decreased in comparison to the corresponding quarter.

Ammonia and urea prices were lower following ample supply amidst weaker market demand. Methanol prices continued its downtrend, tracking the fall in crude oil price as the competitiveness of methanol-based energy derivatives diminished.

Revenue fell by RM208 million or 16% to RM1.1 billion, consistent with lower average prices and lower volumes. Consequently, both profit and EBITDA for the quarter were lower by RM8 million or 3% at RM246 million and RM166 million or 33% at RM338 million respectively.

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PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

(b) Performance of the current year against the corresponding year

	Year ended 31 December					
	Group		Olefins and Derivatives		Fertilisers and Methanol	
In RM Mil	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Revenue	13,536	14,597	9,507	10,518	4,187	4,243
Profit	3,091	2,726	1,993	1,813	1,059	898
EBITDA[1]	4,660	4,644	3,209	3,223	1,549	1,528

Operational performance improved significantly with higher plant utilisation at 85% compared to 80% in the corresponding year, driven by better plant reliability and improved ethane feedstock supply. Excluding statutory turnarounds, plant utilisation would have been 89%.

Correspondingly, production and sales volumes were higher.

Overall average product prices were lower as most product prices tracked the steep decline in crude oil and naphtha prices, compounded by a subdued demand from slower China economic growth.

Revenue declined by 7% or RM1.1 billion to RM13.5 billion owing to lower average product prices, offset by the impact of favourable exchange rate movement and higher sales volumes.

Profit for the year, however, improved by 13% or RM365 million at RM3.1 billion as in the corresponding year, the Group recognised an impairment loss of RM262 million on assets relating to the Group's butane-MTBE chain. Excluding the impairment loss, profit would be higher by 3% or RM103 million from higher sales volume, lower operating cost and favourable exchange rate movement offset by a considerably lower product spreads. EBITDA for the year was comparable at RM4.7 billion.

[1] EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit of equity accounted joint ventures and associates and other significant non-cash items.

PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

(b) Performance of the current year against the corresponding year (continued)

Olefins and Derivatives

The segment's operational performance improved with stronger plant utilisation of 93% compared to 86%, on the back of improved ethane supply coupled with lower statutory turnaround activities. Production and sales volumes were also higher in line with improved operational performance.

Olefins and derivatives prices continue to average lower in tandem with the falling crude oil and naphtha prices.

Revenue decreased by 10% or RM1 billion to RM9.5 billion due to lower product prices, offset by favourable foreign exchange rate movement.

Profit for the year was higher by 10% or RM181 million at RM2 billion as in the corresponding year, the Group recognised an impairment loss of RM262 million on assets relating to the Group's butane-MTBE chain. Excluding the impairment loss, profit would have been lower by 4% or RM81 million due to lower product spreads which negated higher sales volumes, lower operating costs and favourable exchange rate movement. EBITDA was comparable at RM3.2 billion.

Fertilisers and Methanol

Overall, the segment's operational performance for the year improved on the back of better plant and methane supply reliability, with higher plant utilisation at 80% compared to 75% in the corresponding year. Excluding statutory turnarounds, plant utilisation would have been 86%.

Urea prices declined in the current year mainly as a result of ample supply whilst ammonia prices trended lower as regional producers resumed operations. Methanol prices were adversely affected by weaker demand for methanol based energy derivatives following lower crude oil prices.

Revenue for the year declined slightly by 1% or RM56 million to RM4.2 billion as the fall in product prices were cushioned by higher sales volumes and favourable foreign exchange rate movement.

However, profit increased by 18% or RM161 million due to lower tax expense in relation to adjustment for overprovision of prior year tax. EBITDA improved slightly by 1% or RM21 million as the impact of higher volumes and favourable exchange rate movement negated the impact of weakening prices.

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B2. VARIATION OF RESULTS AGAINST THE PRECEDING QUARTER

The Group's plant utilisation rate was slightly lower in the current quarter at 86% compared to 88% in the preceding quarter on the back of slightly higher level of maintenance activities.

Production volumes were lower in line with lower plant utilisation. However, sales volumes were slightly higher due to sales from inventory.

Average product prices continued to decline in tandem with the falling crude oil and naphtha prices.

Group revenue was lower by RM193 million or 5% at RM3.4 billion following softer average product prices, negated by favourable exchange rate movement and higher sales volumes. Similarly, profit for the quarter decreased by RM199 million or 20% to RM791 million whilst EBITDA was lower by RM419 million or 29% at RM1 billion.

B3. COMMENTARY ON PROSPECTS

The results of the Group's operations are expected to be primarily influenced by global economic conditions, utilisation rate of our production facilities and petrochemical products prices which have a high correlation to crude oil prices, particularly for the Olefins and Derivatives segment.

The utilisation of our production facilities is dependent on plant maintenance activities and sufficient availability of feedstock as well as utilities supply. With improved plant maintenance programme and supplier relationship management, the Group aims to achieve better plant utilisation for 2016.

a) Olefins and Derivatives

The Group anticipates the market for olefins and derivatives to remain soft given sufficient supply situation amidst slow demand coupled with weak crude oil and naphtha prices.

b) Fertilisers and Methanol

The Group expects the segment's feedstock supply reliability for 2016 to improve with additional gas supply from upstream via a new pipeline.

Fertiliser market is expected to remain challenging in view of ample supply coupled with weaker demand. Methanol price may also remain challenging as a result of weak crude oil prices.

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B4. PROFIT FORECAST OR PROFIT GUARANTEE

Not applicable as the Group does not publish any profit forecast.

B5. OPERATING PROFIT

	Individual quarter ended 31 December		Year ended 31 December	
In RM Mil	**2015**	**2014**	**2015**	**2014**
Included in operating profit are the following charges:				
Depreciation and amortisation	339	345	1,279	1,219
Loss on realised foreign exchange	38	32	374	80
Loss on unrealised foreign exchange	54	37	67	50
Inventories written down to net realisable value	21	54	21	54
Provisions for plant decommissioning and onerous contracts	-	14	-	14
Impairment losses on property, plant and equipment	-	262	-	262
Unrealised loss on forward exchange contract	-	97	-	98
Loss on disposal of property, plant and equipment	10	-	13	-
and credits:				
Interest income	134	159	360	390
Other income	26	3	34	60
Gain on realised foreign exchange	27	81	361	133
Gain on unrealised foreign exchange	57	-	36	34
Reversal of provision for obsolete inventories	-	37	-	37
Reversal of provisions for plant decommissioning and onerous contracts	65	23	65	23
Unrealised gain on forward exchange contract	4	-	5	2
Gain on disposal of property, plant and equipment	-	-	2	3

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

B6. FINANCING COSTS

In RM Mil	Individual quarter ended 31 December		Year ended 31 December	
	2015	**2014**	**2015**	**2014**
Unwinding of discount factor for other long term liabilities and provisions	6	34	29	45
Unrealised (gain) / loss on forward exchange contract	(137)	-	618	-
Unrealised loss / (gain) on foreign exchange	131	-	(636)	-
Revolving credits	-	-	-	1
	-	34	11	46

B7. TAX EXPENSE

In RM Mil	Individual quarter ended 31 December		Year ended 31 December	
	2015	**2014**	**2015**	**2014**
Current tax expenses				
- Current period tax	171	185	841	864
- Over provision in respect of prior periods	(55)	(1)	(62)	(30)
	116	184	779	834
Deferred tax expense				
- Origination and reversal of temporary differences	(5)	15	(74)	(14)
- Under provision in respect of prior periods	10	9	37	5
	5	24	(37)	(9)
	121	208	742	825

The Group's effective tax rates for the year ended 31 December 2015 and 2014 are 19.4% and 23.2% respectively.

B8. SALES OF UNQUOTED INVESTMENTS/PROPERTIES

There were no material disposals of unquoted investments or properties by the Group for the current quarter and financial year under review.

PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS (continued)

B9. QUOTED SECURITIES

There were no material dealings in quoted securities during the year under review.

B10. STATUS OF CORPORATE PROPOSALS

There was no new corporate proposal during the quarter under review since the last audited financial statements of 31 December 2014.

B11. BORROWINGS

The details of the Group borrowings as at 31 December 2015 are as follows:

In RM Mil	**As at 31 December 2015**	**As at 31 December 2014**
Current		
Revolving credit – Unsecured	30	-

B12. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments as at the date of this report is as disclosed in Note A15.

B13. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

The Group does not have any financial liabilities that are measured at fair value (other than derivative financial instruments) for the year ended 31 December 2015.

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B14. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

This information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirement,* issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia.

The Group's balance of realised and unrealised retained profits as at 31 December 2015 is disclosed as follows:

In RM Mil	**As at 31 December 2015**	**As at 31 December 2014**
Total retained profits/(losses) of the Group:		
Realised	19,348	17,925
Unrealised	(518)	(642)
	18,830	17,283
Total share of retained profits/(losses) from joint ventures and associates:		
Realised	199	290
Unrealised	(19)	(44)
	180	246
Total realised and unrealised	19,010	17,529
Less: Consolidation adjustments	(3,817)	(3,686)
Total group retained profits as per consolidated account	15,193	13,843

PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS (continued)

B15. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The Group does not have any off balance sheet financial instruments as at the date of this report.

B16. MATERIAL LITIGATION

There is no pending material litigation since the last audited financial statements of PCG and its subsidiaries for the year ended 31 December 2014.

B17. DIVIDENDS

The Directors of the Company has declared a second interim single tier dividend of 10 sen per ordinary share, amounting to RM800 million to shareholders for the year ended 31 December 2015 (2014 : second interim single tier dividend for the year ended 31 December 2014 of 8 sen per share, amounting to RM640 million).

The dividends are payable on 23 March 2016 to depositors registered in the Records of Depositors at the close of business on 9 March 2016.

A Depositor shall qualify for entitlement to the dividends only in respect of:

a) Shares transferred into the Depositor's Securities Account before 4.00 pm on 9 March 2016 in respect of ordinary transfers.

b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

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B18. BASIC EARNINGS PER SHARE

	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
In RM Mil	**2015**	**2014**	**2015**	**2014**
Profit for the period attributable to shareholders of the Company	704	500	2,782	2,465
Earnings per share attributable to shareholders of the Company:				
In millions of shares				
Number of ordinary shares issued	8,000	8,000	8,000	8,000
Basic earnings per share (sen)	9	6	35	31

As at the date of the statement of financial position, the Company does not have any instruments which may have a dilutive impact on the basic earnings per share.

By order of the Board
Syed Marzidy Syed Marzuki (MACS 01703)
Kang Shew Meng (MAICSA 0778565)
Joint Secretaries

Kuala Lumpur
23 February 2016