



**PETRONAS**

**PETRONAS CHEMICALS GROUP BERHAD**  
**Quarterly Report**

**For Third Quarter Ended 30 September 2016**

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



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 ended 30 September 2016 which should be read in conjunction with the accompanying explanatory notes on pages 7 to 18.

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

In RM Mil	Note	Individual quarter ended		Cumulative quarter ended	
		2016	2015	2016	2015
Revenue		3,564	3,642	9,913	10,087
Cost of revenue		(2,140)	(2,193)	(6,178)	(6,561)
<b>Gross profit</b>		<b>1,424</b>	1,449	<b>3,735</b>	3,526
Selling and distribution expenses		(175)	(168)	(508)	(463)
Administration expenses		(141)	(148)	(438)	(401)
Other expenses		(18)	(257)	(189)	(464)
Other income		119	324	243	661
<b>Operating profit</b>	<b>B5</b>	<b>1,209</b>	1,200	<b>2,843</b>	2,859
Net financing income/(costs)	<b>B6</b>	<b>24</b>	(6)	<b>56</b>	(11)
Share of profit of equity-accounted joint ventures and associates, net of tax		25	31	38	73
<b>Profit before taxation</b>		<b>1,258</b>	1,225	<b>2,937</b>	2,921
Tax expense	<b>B7</b>	<b>(273)</b>	(235)	<b>(748)</b>	(621)
<b>PROFIT FOR THE PERIOD</b>		<b>985</b>	990	<b>2,189</b>	2,300
<b>Other comprehensive income/(expenses)</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences		111	346	(117)	448
Share of other comprehensive income/(expenses) of equity-accounted joint ventures and associates		37	158	(46)	220
<b>Total other comprehensive income/(expenses) for the period</b>		<b>148</b>	504	<b>(163)</b>	668
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>1,133</b>	1,494	<b>2,026</b>	2,968
<b>Profit attributable to:</b>					
Shareholders of the Company		891	916	1,945	2,078
Non-controlling interests		94	74	244	222
<b>PROFIT FOR THE PERIOD</b>		<b>985</b>	990	<b>2,189</b>	2,300
<b>Total comprehensive income attributable to:</b>					
Shareholders of the Company		1,039	1,420	1,782	2,746
Non-controlling interests		94	74	244	222
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>1,133</b>	1,494	<b>2,026</b>	2,968

The unaudited 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.

# QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



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

<i>In RM Mil</i>	Note	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
		2016	2015	2016	2015
<b>Basic earnings per share attributable to shareholders of the Company:</b>					
Based on ordinary shares issued (sen)	<b>B17</b>	<u>11</u>	<u>11</u>	<u>24</u>	<u>26</u>

The unaudited 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.

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	Note	As at 30.09.2016	As at 31.12.2015
<b>ASSETS</b>			
Property, plant and equipment		17,566	16,597
Investments in joint ventures and associates		1,268	1,280
Intangible assets		3	5
Long term receivables		50	8
Deferred tax assets		367	389
<b>TOTAL NON-CURRENT ASSETS</b>		<b>19,254</b>	<b>18,279</b>
Trade and other inventories		1,325	1,404
Trade and other receivables		1,758	1,692
Tax recoverable		82	129
Fund and other investments		-	622
Cash and cash equivalents		8,208	8,707
<b>TOTAL CURRENT ASSETS</b>		<b>11,373</b>	<b>12,554</b>
<b>TOTAL ASSETS</b>		<b>30,627</b>	<b>30,833</b>
<b>EQUITY</b>			
Share capital		800	800
Reserves		24,405	23,983
<b>Total equity attributable to shareholders of the Company</b>		<b>25,205</b>	<b>24,783</b>
Non-controlling interests		1,510	1,807
<b>TOTAL EQUITY</b>		<b>26,715</b>	<b>26,590</b>
<b>LIABILITIES</b>			
Deferred tax liabilities		810	814
Other long term liabilities and provisions		263	355
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,073</b>	<b>1,169</b>
Trade and other payables		2,507	2,902
Borrowings	B11	23	30
Current tax payables		309	142
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,839</b>	<b>3,074</b>
<b>TOTAL LIABILITIES</b>		<b>3,912</b>	<b>4,243</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>30,627</b>	<b>30,833</b>

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

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company				
	Non-distributable		Foreign Currency Translation Reserve	Merger Reserve	Other Reserves
<i>In RM Mil</i>	Share Capital	Share Premium			
<b>Cumulative quarter ended 30 September 2015</b>					
At 1 January 2015	800	8,071	74	(204)	138
Foreign currency translation differences	-	-	448	-	-
Share of other comprehensive income of equity-accounted joint ventures and associates	-	-	220	-	-
Total other comprehensive income for the period	-	-	668	-	-
Profit for the period	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	668	-	-
Redemption of Redeemable Preference Shares in a subsidiary	-	-	-	-	130
Dividends to shareholders of the Company	-	-	-	-	-
Dividends to non-controlling interests	-	-	-	-	-
<b>Total transactions with shareholders</b>	-	-	-	-	130
Balance at 30 September 2015	800	8,071	742	(204)	268
<b>Cumulative quarter ended 30 September 2016</b>					
At 1 January 2016	800	8,071	436	(204)	487
Foreign currency translation differences	-	-	(117)	-	-
Share of other comprehensive expenses of equity-accounted joint ventures and associates	-	-	-	-	(46)
Total other comprehensive expenses for the period	-	-	(117)	-	(46)
Profit for the period	-	-	-	-	-
<b>Total comprehensive expenses for the period</b>	-	-	(117)	-	(46)
Redemption of Redeemable Preference Shares in a subsidiary	-	-	-	-	13
Dividends to shareholders of the Company	-	-	-	-	-
Dividends to non-controlling interests	-	-	-	-	-
<b>Total transactions with shareholders</b>	-	-	-	-	13
Balance at 30 September 2016	800	8,071	319	(204)	454

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

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

<i>In RM Mil</i>	<i>Attributable to shareholders of the Company</i>		<b>Non- controlling Interests</b>	<b>Total Equity</b>
	<i>Distributable</i>			
	<b>Retained Profits</b>	<b>Total</b>		
<b>Cumulative quarter ended 30 September 2015</b>				
At 1 January 2015	13,843	22,722	1,755	24,477
Foreign currency translation differences	-	448	-	448
Share of other comprehensive income of equity-accounted joint ventures and associates	-	220	-	220
Total other comprehensive income for the period	-	668	-	668
Profit for the period	2,078	2,078	222	2,300
<b>Total comprehensive income for the period</b>	<b>2,078</b>	<b>2,746</b>	<b>222</b>	<b>2,968</b>
Redemption of Redeemable Preference Shares in a subsidiary	(130)	-	(111)	(111)
Dividends to shareholders of the Company	(1,280)	(1,280)	-	(1,280)
Dividends to non-controlling interests	-	-	(85)	(85)
<b>Total transactions with shareholders</b>	<b>(1,410)</b>	<b>(1,280)</b>	<b>(196)</b>	<b>(1,476)</b>
Balance at 30 September 2015	14,511	24,188	1,781	25,969
<b>Cumulative quarter ended 30 September 2016</b>				
At 1 January 2016	15,193	24,783	1,807	26,590
Foreign currency translation differences	-	(117)	-	(117)
Share of other comprehensive expenses of equity-accounted joint ventures and associates	-	(46)	-	(46)
Total other comprehensive expenses for the period	-	(163)	-	(163)
Profit for the period	1,945	1,945	244	2,189
<b>Total comprehensive income for the period</b>	<b>1,945</b>	<b>1,782</b>	<b>244</b>	<b>2,026</b>
Redemption of Redeemable Preference Shares in a subsidiary	(13)	-	(11)	(11)
Dividends to shareholders of the Company	(1,360)	(1,360)	-	(1,360)
Dividends to non-controlling interests	-	-	(530)	(530)
<b>Total transactions with shareholders</b>	<b>(1,373)</b>	<b>(1,360)</b>	<b>(541)</b>	<b>(1,901)</b>
Balance at 30 September 2016	15,765	25,205	1,510	26,715

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

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	Cumulative quarter ended	
	2016	30 September 2015
Cash receipts from customers	9,847	10,439
Cash paid to suppliers and employees	(6,471)	(6,695)
	3,376	3,744
Interest income from fund and other investments	203	144
Taxation paid	(535)	(591)
<b>Cash flows from operating activities</b>	<b>3,044</b>	<b>3,297</b>
Increase in investment in an associate	(34)	(191)
Dividends received from equity-accounted joint ventures and associates	38	84
Purchase of property, plant and equipment	(2,200)	(1,739)
Proceeds upon maturity of fund and other investments	622	-
Proceeds from sales of property, plant and equipment	1	-
<b>Cash flows used in investing activities</b>	<b>(1,573)</b>	<b>(1,846)</b>
Dividends paid to:		
- PETRONAS	(875)	(824)
- others (third parties)	(485)	(456)
- non-controlling interests of subsidiaries	(530)	(85)
Drawdown of revolving credit	8	30
Payment to non-controlling interests on redemption of shares	(11)	(111)
Repayment of:		
- finance lease liabilities	(41)	(41)
- revolving credit	(15)	-
<b>Cash flows used in financing activities</b>	<b>(1,949)</b>	<b>(1,487)</b>
Net cash flows used in operating, investing and financing activities	(478)	(36)
Effects of foreign currency translation differences	2	(403)
Net decrease in cash and cash equivalents	(476)	(439)
Net foreign exchange differences on cash held	(23)	137
Cash and cash equivalents at beginning of the period	8,707	9,807
<b>Cash and cash equivalents at end of the period</b>	<b>8,208</b>	<b>9,505</b>

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

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



### 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 2015 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

Within the context of these unaudited 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 ended 30 September 2016.

#### 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 2015.

As of 1 January 2016, 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 January 2016.

##### **Effective for annual periods beginning on or after 1 January 2016**

Amendments to MFRS 5	<i>Non-current Assets held for Sale and Discontinued Operations (Annual Improvements 2012 – 2014 Cycle)</i>
Amendments to MFRS 7	<i>Financial Instruments: Disclosures (Annual Improvements 2012 – 2014 Cycle)</i>
Amendments to MFRS 11	<i>Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to MFRS 101	<i>Presentation of Financial Statements - Disclosure Initiative</i>
Amendments to MFRS 116 and MFRS 138	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to MFRS 119	<i>Employee Benefits (Annual Improvements 2012 – 2014 Cycle)</i>
Amendments to MFRS 127	<i>Separate Financial Statements: Equity Method in Separate Financial Statements</i>
Amendments to MFRS 134	<i>Interim Financial Reporting (Annual Improvements 2012 – 2014 Cycle)</i>

#### A3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of PCG and its subsidiaries for the year ended 31 December 2015 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.



# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



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

#### A5. EXCEPTIONAL ITEMS

There was no exceptional item during the quarter under review.

#### 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 2015 that may have a material effect in the results of the quarter under review.

#### A7. DEBT AND EQUITY SECURITIES

There were no material issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the quarter under review.

#### A8. DIVIDEND PAID

During the period under review, the Company paid:

- (i) A second interim single tier dividend of 10 sen per ordinary share amounting to RM800 million in respect of the financial year ended 31 December 2015 to shareholders on 23 March 2016.
- (ii) A first interim single tier dividend of 7 sen per ordinary share amounting to RM560 million in respect of the financial year ended 31 December 2016 to shareholders on 7 September 2016.

#### A9. OPERATING SEGMENTS

- Olefins and Derivatives – activities include manufacturing and marketing of a wide range of olefins, intermediate, basic and high performance chemicals, and polymer products.
- Fertilisers and Methanol – activities include manufacturing and marketing of methanol and a range of nitrogen, phosphate and compound fertilisers.
- Others – other non-reportable segments comprise operations related to investment holding company and port services which provide product distribution infrastructure to the Group.

##### 9.1 Revenue

<i>In RM Mil</i>	2016		2015		Cumulative quarter ended 30 September	
	2016	2015	2016	2015	2016	2015
	Third Parties		Inter-segment		Gross Total	
Olefins and Derivatives	6,918	7,058	9	9	6,927	7,067
Fertilisers and Methanol	2,954	2,995	127	136	3,081	3,131
Others	41	34	34	30	75	64
<b>Total</b>	<b>9,913</b>	<b>10,087</b>	<b>170</b>	<b>175</b>	<b>10,083</b>	<b>10,262</b>

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



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

#### A9. OPERATING SEGMENTS (continued)

##### 9.2 Segment Profit for the Period<sup>1</sup>

<i>In RM Mil</i>	Cumulative quarter ended 30 September	
	2016	2015
Olefins and Derivatives	1,392	1,415
Fertilisers and Methanol	729	814
Others	68	71
<b>Total</b>	<b>2,189</b>	<b>2,300</b>

#### A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment for the period under review. As at 30 September 2016, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

#### A11. SIGNIFICANT EVENT

On 14 April 2016, PCG announced the cancellation of the proposed elastomers project which are part of the Refinery and Petrochemicals Integrated Development (RAPID) project in Pengerang, Johor.

In line with the cancellation of the project, the Group has recognised a write-off on total assets in the second quarter of 2016 amounting to RM241 million (USD59 million).

Details of the project cancellation is as stated in a separate Bursa Announcement issued on 14 April 2016.

#### A12. CONTINGENCIES

There were no material contingent liabilities or contingent assets since the last consolidated statement of financial position as at 31 December 2015.

#### A13. CHANGES IN COMPOSITION OF THE GROUP

On 5 August 2016, the Group, via its wholly-owned subsidiary PETRONAS Chemicals Marketing Sdn. Bhd., incorporated a wholly-owned subsidiary, PT PCM Kimia Indonesia ("PCMI") in Indonesia.

<sup>1</sup> Included within profit for the period for Olefins and Derivatives, Fertilisers and Methanol and Others segments are depreciation and amortisation expenses amounting to RM592 million (2015: RM600 million), RM388 million (2015: RM328 million) and RM13 million (2015: RM12 million) respectively.

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



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

#### A14. CAPITAL COMMITMENTS

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

<i>In RM Mil</i>	<u>As at 30.9.2016</u>	<u>As at 31.12.2015</u>
Property, plant and equipment:		
Approved and contracted for	5,195	7,843
Approved but not contracted for	4,361	9,401
	<u>9,556</u>	<u>17,244</u>

The amount as at 30 September 2016 includes RM7,341 million (2015: RM14,666 million) relating to the development of petrochemical plants which are part of the RAPID project in Pengerang, Johor. The lower amount compared to 31 December 2015 was mainly due to cancellation of elastomers project (2015: RM5,155 million).

The amount as at 30 September 2016 also includes RM777 million (2015: RM1,458 million) for a new world scale fertiliser plant in Sipitang, Sabah.

#### 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 values 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 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.

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.

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



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

#### A15. FAIR VALUE INFORMATION (continued)

As at 30 September 2016

*Fair value of financial instruments carried at fair value*

<i>In RM Mil</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>
<b>Financial assets</b>				
Forward foreign exchange contracts	-	12	-	12
<b>Financial liabilities</b>				
Forward foreign exchange contracts	-	(519)	-	(519)

*Fair value of financial instruments not carried at fair value*

<i>In RM Mil</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Carrying amount</u>	<u>Total fair value</u>
<b>Financial liabilities</b>					
Financial lease liabilities	-	-	(148)	(148)	(148)

As at 31 December 2015

*Fair value of financial instruments carried at fair value*

<i>In RM Mil</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>
<b>Financial assets</b>				
Forward foreign exchange contracts	-	9	-	9
<b>Financial liabilities</b>				
Forward foreign exchange contracts	-	(720)	-	(720)

*Fair value of financial instruments not carried at fair value*

<i>In RM Mil</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Carrying amount</u>	<u>Total fair value</u>
<b>Financial liabilities</b>					
Financial lease liabilities	-	-	(183)	(183)	(183)

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



### PART B – OTHER EXPLANATORY NOTES

#### B1. REVIEW OF GROUP PERFORMANCE

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

<i>In RM Mil</i>	2016		2015		Individual quarter ended 30 September	
	2016	2015 Group	2016 Olefins and Derivatives	2015	2016 Fertilisers and Methanol	2015
Revenue	3,564	3,642	2,542	2,619	1,054	1,071
Profit after tax	985	990	680	646	257	301
EBITDA <sup>2</sup>	1,457	1,439	1,062	1,010	394	407

The Group recorded a stronger operational performance with higher plant utilisation of 100% compared to 88% in the corresponding quarter as a result of improved plant reliability and higher methane supply to its methanol facilities. In addition, the Group undertook statutory turnaround at its methanol facilities in the corresponding quarter. Consequently, production and sales volumes were higher.

Overall average product prices fell compared to the corresponding quarter following the sharp decline in crude oil price. As a result of lower prices, Group revenue declined by RM78 million or 2% to RM3.6 billion.

EBITDA increased slightly by RM18 million or 1% to RM1.5 billion as the higher sales volumes mitigated the impact of narrower spreads. Profit after tax for the quarter was comparable at RM985 million.

#### Olefins and Derivatives

The segment maintained its strong operational performance, achieving 100% plant utilisation for the quarter. Plant utilisation was 99% in the corresponding quarter. Production and sales volumes were higher in tandem with improved plant utilisation.

However, average product prices were lower as they were affected by weaker crude oil price. As a result of lower prices, revenue decreased by RM77 million or 3% to RM2.5 billion.

EBITDA was higher than corresponding quarter by RM52 million or 5% at RM1.1 billion as the higher volumes countered the impact of lower spreads. Similarly, profit after tax rose by RM34 million or 5% at RM680 million.

#### Fertilisers and Methanol

The segment registered significantly higher plant utilisation of 96% compared to 79% in the corresponding quarter mainly driven by higher methane supply at the methanol facilities. In the corresponding quarter, the Group undertook statutory turnaround at its methanol facilities. As a result of the higher plant utilisation, both production and sales volumes grew.

Average product prices continued on a downward trend. Methanol price declined due to lower demand for fuel additives whilst ammonia and urea prices were affected by oversupply in the market with new capacity additions. Revenue fell slightly by RM17 million or 2% to RM1.1 billion due to lower product prices.

Correspondingly, EBITDA decreased by RM13 million or 3% to RM394 million as higher volumes only partially mitigated the impact of lower prices. Profit after tax was also lower by RM44 million or 15% to RM257 million.

<sup>2</sup> 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.

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



### PART B – OTHER EXPLANATORY NOTES (continued)

#### B1. REVIEW OF GROUP PERFORMANCE (continued)

##### (b) Performance of the current period against the corresponding period

<i>In RM Mil</i>	Cumulative quarter ended 30 September					
	2016	2015	2016	2015	2016	2015
	Group		Olefins and Derivatives		Fertilisers and Methanol	
Revenue	9,913	10,087	6,927	7,067	3,081	3,131
Profit after tax	2,189	2,300	1,453	1,415	668	814
EBITDA <sup>3</sup>	3,807	3,640	2,737	2,428	1,105	1,211

The Group's plant utilisation improved from 85% in the corresponding period to 96% in the current period. The higher plant utilisation was largely attributable to improved ethane and methane supplies as well as lower level of turnaround activities. Both production and sales volumes were higher in tandem with higher plant utilisation.

Average product prices are lower in current quarter as a result of weaker crude oil price. Group revenue declined by RM174 million or 2% to RM9.9 billion compared to the corresponding period as a result of lower product prices.

In contrast, EBITDA rose by RM167 mil or 5% to RM3.8 billion due to higher sales volumes, supported by stronger US Dollar. However, profit after tax decreased by RM111 million or 5% to RM2.2 billion following assets write-off amounting to RM241 million (USD59 million) due to the cancellation of elastomers project in the current period. Excluding the write-off, profit after tax would have been higher by RM130 million or 6% at RM2.4 billion.

#### Olefins and Derivatives

The segment attained higher plant utilisation of 99% compared to 93% in the corresponding period with better plant reliability and feedstock supply. These offset the impact of statutory turnaround activities conducted at its propane dehydrogenation (PDH) and aromatics plants. Correspondingly, production and sales volumes were higher for the period.

Weak crude oil price continued to adversely affect average product prices. As a result, revenue decreased by RM140 million or 2% to RM6.9 billion.

Nevertheless, the Group recorded higher EBITDA by RM309 million or 13% at RM2.7 billion resulting from higher sales volumes, supported by stronger US Dollar. Profit after tax for the period stood at RM1.5 billion, including assets write-off amounting to RM241 million (USD59 million) due to the cancellation of elastomers project. Excluding the write-off, profit after tax would have been higher by RM279 million or 20% at RM1.7 billion.

<sup>3</sup> 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.

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



### PART B – OTHER EXPLANATORY NOTES (continued)

#### B1. REVIEW OF GROUP PERFORMANCE (continued)

##### (b) Performance of the current period against the corresponding period (continued)

###### Fertilisers and Methanol

Segment plant utilisation rose to 94% from 80% in the corresponding period, largely attributable to higher methane supply to the Group methanol facilities. Both production and sales volumes grew in line with higher plant utilisation.

Methanol prices were affected by lower demand for fuel additives, while urea and ammonia prices softened as a result of oversupply in the market with new capacity additions. Consequently, revenue was lower by RM50 million or 2% at RM3.1 billion as lower product prices offset the impact of higher volumes.

EBITDA and profit after tax for the period declined in tandem with lower revenue by RM106 million or 9% to RM1.1 billion and RM146 million or 18% to RM668 million respectively.

#### B2. VARIATION OF RESULTS AGAINST THE PRECEDING QUARTER

*In RM Mil*

	<b>30 September</b>	<b>30 June</b>
	<b>2016</b>	<b>2016</b>
Revenue	<b>3,564</b>	3,202
Profit after tax	<b>985</b>	533
EBITDA <sup>4</sup>	<b>1,457</b>	1,204

The Group reached 100% plant utilisation in the current quarter compared to 95% in preceding quarter. The strong operational performance was attributable to improved plant reliability coupled with no statutory turnaround activity. In preceding quarter, there was statutory turnaround activity at the aromatics plant. The higher plant utilisation translated into higher production and sales volumes.

Driven by firmer crude oil prices, average product prices remained stable against preceding quarter. Group revenue was higher by RM362 million or 11% at RM3.6 billion in line with higher sales volumes and prices.

Group EBITDA grew by RM253 million or 21% at RM1.5 billion. Profit after tax was higher by RM452 million or 85% at RM985 million as the preceding quarter included RM241 million (USD59 million) assets write-off due to the cancellation of elastomers project. Excluding the write-off, profit after tax would have been higher by RM211 million or 27%.

#### 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 compared to the previous year.

<sup>4</sup> 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.

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



### PART B – OTHER EXPLANATORY NOTES (continued)

#### B3. COMMENTARY ON PROSPECTS (continued)

##### Olefins and Derivatives

The Group anticipates the market for olefins and derivatives to remain firm given tight supply and stable crude oil outlook despite slower end-product demand towards end of the year.

##### 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 improve slightly due to limited supply and demand recovery in certain key markets while methanol price is anticipated to firm up given the tight supply and strong regional derivative demand.

#### B4. PROFIT FORECAST OR PROFIT GUARANTEE

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

#### B5. OPERATING PROFIT

<i>In RM Mil</i>	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2016	2015	2016	2015
<b>Included in operating profit are the following charges:</b>				
Depreciation and amortisation	335	313	993	940
Loss on foreign exchange:				
- Realised	14	16	-	3
- Unrealised	-	-	-	36
Loss on disposal of property, plant and equipment	-	-	4	-
Property, plant and equipment written-off	-	-	241	-
<b>and credits:</b>				
Interest income	61	72	195	227
Other income	4	3	9	10
Gain on foreign exchange:				
- Realised	-	2	4	-
- Unrealised	54	5	35	1
Reversal of provisions for plant decommissioning and onerous contracts	-	-	56	-

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



# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



### PART B – OTHER EXPLANATORY NOTES (continued)

#### B6. NET FINANCING INCOME/(COSTS)

<i>In RM Mil</i>	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2016	2015	2016	2015
Unwinding of discount factor for other long term liabilities and provisions	(3)	(8)	(9)	(23)
Unrealised (loss)/gain on forward exchange contract	(106)	(574)	219	(756)
Unrealised gain/(loss) on foreign exchange	133	576	(154)	768
	<b>24</b>	<b>(6)</b>	<b>56</b>	<b>(11)</b>

Unrealised loss or gain on forward exchange contract arise from forward exchange contracts entered in relation to loan due from a subsidiary.

#### B7. TAX EXPENSE

<i>In RM Mil</i>	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2016	2015	2016	2015
<b>Current tax expenses</b>				
Current period tax	251	242	743	670
Over provision in respect of prior periods	(12)	(7)	(14)	(7)
	<b>239</b>	<b>235</b>	<b>729</b>	<b>663</b>
<b>Deferred tax expenses</b>				
Origination and reversal of temporary differences	28	(28)	14	(69)
Under provision in respect of prior periods	6	28	5	27
	<b>34</b>	<b>-</b>	<b>19</b>	<b>(42)</b>
	<b>273</b>	<b>235</b>	<b>748</b>	<b>621</b>

The Group's effective tax rates for the period ended 30 September 2016 and 2015 are 26% and 21% respectively.

#### B8. SALES OF UNQUOTED INVESTMENTS/PROPERTIES

There were no material disposals of unquoted investments or properties by the Group for the period under review.

#### B9. QUOTED SECURITIES

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

#### B10. STATUS OF CORPORATE PROPOSALS

During the first quarter, the Board approved the merger of two wholly-owned subsidiaries, namely PRPC Polymers Sdn. Bhd. (PRPC Polymers) and PRPC Glycols Sdn. Bhd. (PRPC Glycols) in order to enhance operational efficiency. The merger was completed on 25 August 2016 via transfer of assets from PRPC Glycols to PRPC Polymers.

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



### PART B – OTHER EXPLANATORY NOTES (continued)

#### B11. BORROWINGS

The details of the Group borrowings are as follows:

<i>In RM Mil</i>	<u>As at 30.9.2016</u>	<u>As at 31.12.2015</u>
Revolving credits - unsecured	23	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 quarter ended 30 September 2016.

#### 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 disclosed as follows:

<i>In RM Mil</i>	<u>As at 30.9.2016</u>	<u>As at 31.12.2015</u>
<b>Total retained profits/(losses) of the Group</b>		
Realised	19,515	19,348
Unrealised	(430)	(518)
	<u>19,085</u>	<u>18,830</u>
<b>Total share retained profits/(losses) from associates and joint ventures</b>		
Realised	212	199
Unrealised	(32)	(19)
	<u>180</u>	<u>180</u>
<b>Total realised and unrealised</b>	<b>19,265</b>	19,010
Less: Consolidation adjustments	(3,500)	(3,817)
<b>Total group retained profits as per consolidated account</b>	<u><b>15,765</b></u>	<u>15,193</u>

#### B15. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument for the quarter ended 30 September 2016.

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2016



### PART B – OTHER EXPLANATORY NOTES (continued)

#### 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 2015.

#### B17. BASIC EARNINGS PER SHARE

<i>In RM Mil</i>	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2016	2015	2016	2015
Profit for the period attributable to shareholders of the Company	891	916	1,945	2,078
<b>Earnings per share attributable to shareholders of the Company:</b>				
<i>In millions of shares</i>				
Number of ordinary shares issued	8,000	8,000	8,000	8,000
Basic earnings per share (sen)	11	11	24	26

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.

#### B18. EXCHANGE RATES

USD/MYR	30.9.2016	Individual quarter ended		30.9.2016	Cumulative quarter ended	
		30.6.2016	30.9.2015		31.12.2015	30.9.2015
Average rate	4.0510	4.0089	4.0532	4.0875	3.9032	3.7757
Closing rate	4.1465	4.0180	4.4475	4.1465	4.2940	4.4475

#### By order of the Board

Noor Lily Zuriati Binti Abdullah (LS0009795)  
Kang Shew Meng (MAICSA 0778565)  
*Joint Secretaries*

Kuala Lumpur  
2 November 2016