



PETRONAS

PETRONAS CHEMICALS GROUP BERHAD

Quarterly Report

For First Quarter Ended 31 March 2016

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 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 31 March 2016 which should be read in conjunction with the accompanying explanatory notes on pages 6 to 16.

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

<i>In RM Mil</i>	Note	Individual quarter ended	
		2016	31 March 2015
Revenue		3,147	3,140
Cost of revenue		(2,050)	(2,108)
Gross profit		1,097	1,032
Selling and distribution expenses		(162)	(146)
Administration expenses		(122)	(110)
Other expenses		(125)	(301)
Other income		203	350
Operating profit	B5	891	825
Net financing costs	B6	-	(7)
Share of profit of equity-accounted joint ventures and associates, net of tax		5	25
Profit before taxation		896	843
Tax expense	B7	(225)	(171)
PROFIT FOR THE PERIOD		671	672
Other comprehensive (expenses)/income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		(326)	87
Share of other comprehensive (expenses)/income of equity-accounted joint ventures and associates		(113)	42
Total other comprehensive (expenses)/income for the period		(439)	129
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		232	801
Profit attributable to:			
Shareholders of the Company		592	605
Non-controlling interests		79	67
PROFIT FOR THE PERIOD		671	672
Total comprehensive income attributable to:			
Shareholders of the Company		153	734
Non-controlling interests		79	67
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		232	801
Basic earnings per share attributable to shareholders of the Company:			
Based on ordinary shares issued (sen)	B17	7	8

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.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	Note	As at 31.03.2016	As at 31.12.2015
ASSETS			
Property, plant and equipment		16,148	16,597
Investments in associates and joint ventures		1,167	1,280
Intangible assets		4	5
Long term receivables		7	8
Deferred tax assets		373	389
TOTAL NON-CURRENT ASSETS		17,699	18,279
Trade and other inventories		1,269	1,404
Trade and other receivables		1,569	1,692
Fund and other investments		-	622
Cash and cash equivalents		8,574	8,707
Tax recoverable		109	129
TOTAL CURRENT ASSETS		11,521	12,554
TOTAL ASSETS		29,220	30,833
EQUITY			
Share capital		800	800
Reserves		23,336	23,983
Total equity attributable to shareholders of the Company		24,136	24,783
Non-controlling interests		1,412	1,807
TOTAL EQUITY		25,548	26,590
LIABILITIES			
Deferred tax liabilities		821	814
Other long term liabilities and provisions		346	355
TOTAL NON-CURRENT LIABILITIES		1,167	1,169
Trade and other payables		2,322	2,902
Borrowings	B11	15	30
Current tax payables		168	142
TOTAL CURRENT LIABILITIES		2,505	3,074
TOTAL LIABILITIES		3,672	4,243
TOTAL EQUITY AND LIABILITIES		29,220	30,833

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.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company				
	Non-distributable				
<i>In RM Mil</i>	Share Capital	Share Premium	Foreign Currency Translation Reserve	Merger Reserve	Other Reserves
Cumulative quarter ended 31 March 2015					
At 1 January 2015	800	8,071	74	(204)	138
Foreign currency translation differences	-	-	87	-	-
Share of other comprehensive income of equity-accounted joint ventures and associates	-	-	42	-	-
Total other comprehensive income for the period	-	-	129	-	-
Profit for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	129	-	-
Redemption of Redeemable Preference Shares in a subsidiary	-	-	-	-	130
Dividends to shareholders of the Company	-	-	-	-	-
Dividends to non-controlling interests	-	-	-	-	-
Total transactions with shareholders	-	-	-	-	130
Balance at 31 March 2015	800	8,071	203	(204)	268
Cumulative quarter ended 31 March 2016					
At 1 January 2016	800	8,071	436	(204)	487
Foreign currency translation differences	-	-	(326)	-	-
Share of other comprehensive expenses of equity-accounted joint ventures and associates	-	-	-	-	(113)
Total other comprehensive expenses for the period	-	-	(326)	-	(113)
Profit for the period	-	-	-	-	-
Total comprehensive expenses for the period	-	-	(326)	-	(113)
Redemption of Redeemable Preference Shares in a subsidiary	-	-	-	-	13
Dividends to shareholders of the Company	-	-	-	-	-
Dividends to non-controlling interests	-	-	-	-	-
Total transactions with shareholders	-	-	-	-	13
Balance at 31 March 2016	800	8,071	110	(204)	387

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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.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

<i>In RM Mil</i>	<u>Attributable to shareholders of the Company</u>		Non- controlling Interests	Total Equity
	<u>Distributable</u>			
	Retained Profits	Total		
Cumulative quarter ended 31 March 2015				
At 1 January 2015	13,843	22,722	1,755	24,477
Foreign currency translation differences	-	87	-	87
Share of other comprehensive income of equity- accounted joint ventures and associates	-	42	-	42
Total other comprehensive income for the period	-	129	-	129
Profit for the period	605	605	67	672
Total comprehensive income for the period	605	734	67	801
Redemption of Redeemable Preference Shares in a subsidiary	(130)	-	(111)	(111)
Dividends to shareholders of the Company	(640)	(640)	-	(640)
Dividends to non-controlling interests	-	-	(43)	(43)
Total transactions with shareholders	(770)	(640)	(154)	(794)
Balance at 31 March 2015	13,678	22,816	1,668	24,484
Cumulative quarter ended 31 March 2016				
At 1 January 2016	15,193	24,783	1,807	26,590
Foreign currency translation differences	-	(326)	-	(326)
Share of other comprehensive expenses of equity- accounted joint ventures and associates	-	(113)	-	(113)
Total other comprehensive expenses for the period	-	(439)	-	(439)
Profit for the period	592	592	79	671
Total comprehensive expenses for the period	592	153	79	232
Redemption of Redeemable Preference Shares in a subsidiary	(13)	-	(11)	(11)
Dividends to shareholders of the Company	(800)	(800)	-	(800)
Dividends to non-controlling interests	-	-	(463)	(463)
Total transactions with shareholders	(813)	(800)	(474)	(1,274)
Balance at 31 March 2016	14,972	24,136	1,412	25,548

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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.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	Individual quarter ended	
	2016	31 March 2015
Cash receipts from customers	3,656	3,606
Cash paid to suppliers and employees	(2,681)	(2,797)
	975	809
Interest income from fund and other investments	72	75
Taxation paid	(156)	(212)
Cash flows from operating activities	891	672
Dividends received from equity-accounted joint ventures and associates	6	-
Purchase of property, plant and equipment	(523)	(608)
Proceeds from sale of property, plant and equipment	-	1
Proceeds upon maturity of fund and other investments	622	-
Cash flows from investing activities	105	(607)
Dividends paid to:		
- PETRONAS	(515)	(412)
- others (third parties)	(285)	(228)
- non-controlling interests of subsidiaries	(213)	(43)
Payment to non-controlling interests on redemption of shares	(11)	(111)
Repayment of:		
- finance lease liabilities	(14)	(14)
- revolving credit	(15)	-
Cash flows from financing activities	(1,053)	(808)
Net cash flows from operating, investing and financing activities	(57)	(743)
Effects of foreign currency translation differences	(20)	-
Net decrease in cash and cash equivalents	(77)	(743)
Net foreign exchange differences on cash held	(56)	30
Cash and cash equivalents at beginning of the period	8,707	9,807
Cash and cash equivalents at end of the period	8,574	9,094

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.

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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 31 March 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.

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FOR FIRST QUARTER ENDED 31 MARCH 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 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.

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		Individual quarter ended 31 March	
	Third Parties	Inter-segment	2016	2015	2016	2015
Olefins and Derivatives	2,246	2,090	3	3	2,249	2,093
Fertilisers and Methanol	888	1,038	47	40	935	1,078
Others	13	12	11	10	24	22
Total	3,147	3,140	61	53	3,208	3,193

9.2 Segment Profit for the Period¹

<i>In RM Mil</i>	Individual quarter ended 31 March	
	2016	2015
Olefins and Derivatives	461	364
Fertilisers and Methanol	193	290
Others	17	18
Total	671	672

¹ Included within profit for the quarter for Olefins and Derivatives, Fertilisers and Methanol and Others segments are depreciation and amortisation expenses amounting to RM194 million (2015: RM193 million), RM128 million (2015: RM109 million) and RM5 million (2015: RM4 million) respectively.

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

A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment for the period under review. As at 31 March 2016, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

A11. SUBSEQUENT EVENT

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

As at 31 March 2016, total assets relating to the cancelled project amounted to RM225 million. The Group is currently finalising the amount to be written-off which will be recognised in the second quarter of 2016.

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

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

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>	As at 31.3.2016	As at 31.12.2015
Property, plant and equipment:		
Approved and contracted for	6,656	7,843
Approved but not contracted for	3,570	9,401
	10,226	17,244

Included in the above are amounts of RM8,287 million (2015: RM14,666) relating to the development of petrochemical plants which are part of the RAPID project in Pengerang, Johor and RM1,113 million (2015: RM1,458 million) for a new world scale fertiliser plant in Sipitang, Sabah.

The amount as at 31 March 2016 excludes elastomers project which has been cancelled.

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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 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.

As at 31 March 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</u>
Financial assets				
Forward foreign exchange contracts	<u>-</u>	<u>52</u>	<u>-</u>	<u>52</u>
Financial liabilities				
Forward foreign exchange contracts	<u>-</u>	<u>(351)</u>	<u>-</u>	<u>(351)</u>

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

A15. FAIR VALUE INFORMATION (continued)

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>
Financial liabilities					
Financial lease liabilities	<u>-</u>	<u>-</u>	<u>(171)</u>	<u>(171)</u>	<u>(171)</u>

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</u>
Financial assets				
Forward foreign exchange contracts	<u>-</u>	<u>9</u>	<u>-</u>	<u>9</u>
Financial liabilities				
Forward foreign exchange contracts	<u>-</u>	<u>(720)</u>	<u>-</u>	<u>(720)</u>

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>
Financial liabilities					
Financial lease liabilities	<u>-</u>	<u>-</u>	<u>(183)</u>	<u>(183)</u>	<u>(183)</u>

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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 31 March	
	2016	2015 Group	2016 Olefins and Derivatives	2015	2016 Fertilisers and Methanol	2015
Revenue	3,147	3,140	2,249	2,093	935	1,078
Profit	671	672	461	364	193	290
EBITDA ²	1,146	1,118	808	650	338	472

The Group achieved stronger operational performance during the quarter, recording higher plant utilisation of 92% compared to 90% in the corresponding quarter on the back of improved feedstock supply.

Both production and sales volumes increased in tandem with plant utilisation.

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

Group revenue was comparable to the corresponding quarter at RM3.1 billion as higher sales volume and stronger US Dollar offset the impact of lower average product prices.

EBITDA was higher by RM28 mil or 3% at RM1.1 billion on the back of lower operating costs.

Profit for the quarter was comparable despite higher EBITDA due to higher tax expense. Tax expense in the corresponding quarter was lower due to the higher recognition of deferred tax asset, mainly on pre-operating expenses pertaining to the Sabah Ammonia and Urea project (SAMUR).

Olefins and Derivatives

Operationally, the segment recorded a very strong plant utilisation of 97% compared to 95% in the corresponding quarter. This was driven by higher ethane and naphtha supplies which offset the impact of statutory turnarounds undertaken during the quarter at its propylene plant. Consequently, both production and sales volumes increased.

Average product prices were adversely affected by the sharp decline in crude oil and naphtha prices, compounded by subdued market demand amidst slower economic growth.

Revenue rose by RM156 million or 8% at RM2.2 billion as a result of higher sales volumes, further supported by stronger US Dollar. Both EBITDA and profit for the quarter grew by RM158 million or 24% to RM808 million and RM97 million or 27% at RM461 million respectively as higher sales volumes, lower operating costs and stronger US Dollar mitigated the impact of narrower product spreads.

² 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.

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FOR FIRST QUARTER ENDED 31 MARCH 2016



PART B – OTHER EXPLANATORY NOTES

B1. REVIEW OF GROUP PERFORMANCE (continued)

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

Fertilisers and Methanol

The segment's operational performance improved with higher plant utilisation of 89% compared to 87% in the corresponding quarter. This was largely attributable to higher methane supply at the Group's methanol facilities. Accordingly, both production and sales volumes increased.

Urea prices softened in the current quarter due to ample supply whilst ammonia prices were lower following weaker demand. Methanol prices were affected by weak demand in methanol-based derivatives on the back of decreasing energy prices.

Revenue declined by RM143 million or 13% to RM935 million as a result of lower average product prices which offset the impact of higher sales volumes. Both EBITDA and profit for the quarter were also lower by RM134 million or 28% at RM338 million and RM97 million or 33% at RM193 million respectively.

B2. VARIATION OF RESULTS AGAINST THE PRECEDING QUARTER

<i>In RM Mil</i>	31 March 2016	31 December 2015
Revenue	3,147	3,449
Profit	671	791
EBITDA ³	1,146	1,020

The Group's plant utilisation rate rose to 92% in the current quarter from 86% in the preceding quarter as a result of improved overall plant reliability and higher methane supply for the Group's methanol facilities. Both production and sales volumes were higher in line with higher plant utilisation.

However, average product prices continued to decline in line with crude oil prices as well as slower economic growth.

Group revenue was lower by RM302 million or 9% at RM3.1 billion following lower average product prices as mentioned above, as well as weaker US Dollar, offset by higher sales volumes.

EBITDA, however, increased by 12% or RM126 million to RM1.1 billion as a result of higher volumes and lower operating costs. Profit for the quarter declined by 15% or RM120 million to RM671 million as the preceding quarter included reversal of provision for decommissioning costs and higher interest income.

³ 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.

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PART B – OTHER EXPLANATORY NOTES (continued)

B3. COMMENTARY ON PROSPECTS

The results of the Group's operations are expected to be primarily influenced by global economic conditions, petrochemical products prices, USD/MYR foreign exchange movements and utilisation rate of our production facilities. Petrochemical products prices 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.

Olefins and Derivatives

Despite weak economic outlook and slow end-product demand, the Group anticipates the market for olefins and derivatives to be stable given tight supply in the region.

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.

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	
	2016	31 March 2015
Included in operating profit are the following charges:		
Depreciation and amortisation	327	306
Loss on foreign exchange:		
- Realised	67	136
- Unrealised	57	33
Loss on unrealised forward exchange contract	-	131
and credits:		
Interest income	72	78
Other income	3	4
Gain on foreign exchange:		
- Realised	74	125
- Unrealised	52	142
Gain on unrealised forward exchange contract	2	1

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

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FOR FIRST QUARTER ENDED 31 MARCH 2016



PART B – OTHER EXPLANATORY NOTES (continued)

B6. FINANCING COSTS

<i>In RM Mil</i>	Individual quarter ended	
	2016	31 March 2015
Unwinding of discount factor for other long term liabilities and provisions	6	7
Unrealised gain on forward exchange contract	(386)	-
Unrealised loss on foreign exchange	380	-
	<u>-</u>	<u>7</u>

Unrealised loss 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	
	2016	31 March 2015
Current tax expenses		
Current period tax	198	202
Over provision in respect of prior periods	(3)	1
	<u>195</u>	<u>203</u>
Deferred tax expenses		
Origination and reversal of temporary differences	31	(29)
Under provision in respect of prior periods	(1)	(3)
	<u>30</u>	<u>(32)</u>
	<u>225</u>	<u>171</u>

The Group's effective tax rates for the period ended 31 March 2016 and 2015 are 25% and 20% 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 quarter, the Board approved for the merger of two wholly-owned subsidiaries, namely PRPC Polymers Sdn. Bhd. (PRPC Polymers) and PRPC Glycols Sdn. Bhd. (PRPC Glycols). The merger will be undertaken via transfer of assets from PRPC Glycols to PRPC Polymers and will result in enhanced operational efficiency.

The Group expects to complete the restructuring by the second half of 2016.

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FOR FIRST QUARTER ENDED 31 MARCH 2016



PART B – OTHER EXPLANATORY NOTES (continued)

B11. BORROWINGS

The details of the Group borrowings are as follows:

<i>In RM Mil</i>	As at 31.3.2016	As at 31.12.2015
Revolving credits - unsecured	<u>15</u>	<u>30</u>

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 31 March 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>	As at 31.3.2016	As at 31.12.2015
Total retained profits of the Group		
Realised	18,801	19,348
Unrealised	(525)	(518)
	<u>18,276</u>	<u>18,830</u>
Total share retained profits from associates and joint ventures		
Realised	191	199
Unrealised	(14)	(19)
	<u>177</u>	<u>180</u>
Total realised and unrealised	18,453	19,010
Less: Consolidation adjustments	(3,481)	(3,817)
Total group retained profits as per consolidated account	<u>14,972</u>	<u>15,193</u>

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2016



PART B – OTHER EXPLANATORY NOTES (continued)

B15. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument for the quarter ended 31 March 2016.

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	
	2016	31 March 2015
Profit for the period attributable to shareholders of the Company	592	605
<i>Earnings per share attributable to shareholders of the Company:</i>		
<i>In millions of shares</i>		
Number of ordinary shares issued	8,000	8,000
Basic earnings per share (sen)	7	8

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	Individual quarter ended		
	31.3.2016	31.12.2015	31.3.2015
Average rate	4.2029	4.2857	3.6165
Closing rate	3.9330	4.2940	3.7075

By order of the Board

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

Kuala Lumpur
9 May 2016