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OPERATOR:

Thank you for standing by, and welcome to the Petronas Chemical Group Q3 FY 2016 analyst briefing conference call. At this time, all participants are in a listen only mode. There will be a presentation followed by a question and answer session (Operator instructions). I must advise you that this conference is being recorded today, November 2, 2016.

I would now like to hand the conference over to your first speaker today Safarah M Salim. Please go ahead.

Safarah M Salim, *IR*:

Thank you, Cecilia. Good evening everyone and thank you for making the time to be on the call with us today. Welcome again to PCG's earnings call for the quarter ended September 30, 2016.

Firstly, I would like to apologise as Datuk Sazali, our CEO, is currently held up and not able to be with us for now. However, with me today are Rashidah Alias, Chief Financial Officer; Mr. Yusri Yusof, Head of Manufacturing; Mr. Akbar Thayoob, Head of Commercial; and I am Safarah from the Investor Relations team.

So starting off today's session on behalf of Datuk Sazali is Encik Yusri for the opening remarks.

Yusri Yusof, *Head of Manufacturing:*

Thank you, Safarah. Good evening everyone. Thank you for joining us today. We will begin with an overview of the business environment. Between July and September 2016, global GDP growth remained comparable to the previous quarter at 2.4%.

US GDP grew as there were improvements in the housing and capital spending coupled with an increase in consumer demand.

On the other hand, China continued to experience weak investment and slower industrial growth. However, this quarter's global GDP growth remained lower compared to the 2.7% recorded in quarter three 2015.

Both the US and China economies were weaker than last year and Britain's imminent exit from the EU further dampened an already fragile business environment and consumer confidence.

Brent crude oil price averaged at $46 per barrel for the quarter, similar to the preceding quarter as market supply and demand remained balanced.

Crude oil price was still lower than last year, which was an average of $51 per barrel in the corresponding quarter. As global demand and crude oil price subdued, petrochemical product spreads remained comparable to the preceding quarter.

The tough business environment has challenged PCG to be more competitive and business savvy. Our decision to focus on operational and commercial efforts have led to performance improvements in each successive quarter.

For Q3 2016, the Group recorded a 100% plant utilisation rate, an outstanding feat compared to all the previous quarters. This remarkable achievement was due to our manufacturing strategy that has ensured higher plant reliability and also higher feedstock supply.

More volume went to the market and with our effective commercial strategy, we were able to trade with lower cost to serve. Ultimately, stable margins were secure even though spread remained low for most of the products.

I am hereby pleased to report that even though the market proved to be tougher than 2015, PCG managed to deliver comparable results with MYR3.56 billion worth of revenue and MYR1.46 billion of EBITDA.
What is more impressive is the quarter-on-quarter performance. Group revenue increased by 11%, EBITDA jumped by 21%, and EBITDA margin remained robust at 41%.

Q3 2016 proved to be our strongest quarterly performance so far.

For more details on the financials, I will pass the session over to Rashidah.

Rashidah Alias, *CFO*:

Thank you Yusri. Good evening, everyone. We will start with the Group's performance on slide 7 before moving on to the respective segments. For your ease of reference, on slide 7 on the chart, on the right is the Group performance and the comparative quarters. And on the left is the Group's performance for the cumulative year of nine months ended September 30, 2016.

Now let's start with the corresponding quarter, quarter three 2016 versus quarter three 2015.

This quarter we saw an impressive plant utilisation rate of 100% compared to 88% in the same quarter last year, which resulted in a significant increase in sales volume by 23%. However, the Group's revenue declined by a marginal 2% to MYR3.56 billion as the higher sales volume only partially negated the impact of lower petchem product prices, coupled with a slightly weaker US dollar.

EBITDA was comparable at a slight 1% increase from MYR1.44 billion to MYR1.46 billion as higher sales volume negated the impact of thinner spreads. Consequently, EBITDA margin increased 1 percentage point from 40% to 41%.

Similarly, profit after tax for the quarter was comparable at MYR985 million versus MYR990 million in the same quarter last year.

Moving on to the performance against the preceding quarter, quarter three versus quarter two 2016.

In line with the higher utilisation rate and production volume, revenue saw an 11% increase from MYR3.2 billion to MYR3.56 billion, supported by better petchem product prices.

EBITDA rose 21% to MYR1.46 billion. This higher volume, favorable FX impact and lower unit costs that offset the impact of thinner spreads. Following which EBITDA margin increased by 3 percentage points from 38% to 41% for the quarter under review.

Profit after tax surged 85% in Q3 2016 compared to quarter two, which saw a one-time write-off of MYR241 million. Excluding this write-off, PAT would have been 27% higher.

Now looking at the nine-month period ended September 30, 2016 versus 2015. Despite the higher volumes made available by the improved plant utilisation rate, Group revenue saw a marginal decline of 2% mainly due to lower product prices.

EBITDA was 5% higher than last year at MYR3.81 billion, contributed by favorable foreign exchange movements and higher volumes that negated the impact of thinner spreads. EBITDA margin grew 2 percentage points to 38%.

PAT for the period was lower at MYR2.19 billion compared to MYR2.3 billion at the end of September last year due to the one-time write-off of MYR241 million last quarter. Again, excluding the write-off, PAT would have been higher by 6%.

Then on to the segment performance, please refer to slides 8 and 9. We will start with olefins and derivatives segment on slide 8 comparing with the corresponding quarter first.

Compared to quarter three 2015, product prices in the O&D segment were mostly lower this year on the back of lower crude oil prices.

Revenue for the segment was 3% lower at MYR2.54 billion compared to MYR2.62 billion in quarter three last year as higher sales volumes from improved plant performance was negated by lower product prices.

Segment EBITDA rose 5% to MYR1.06 billion from MYR1.01 billion supported by the higher sales volume. Consequently, EBITDA margin for the segment grew 3 percentage points to 42%.

The O&D segment also saw higher profits at MYR680 million compared to MYR646 million last year due to higher volume.

Now against the preceding quarter. Against the preceding quarter, O&D product prices were mixed with most being stable and some increased in line with the stable crude oil prices.

Segment revenue rose 19% from MYR2.14 billion to MYR2.54 billion supported by stable prices and higher volumes.

EBITDA surged 23% to MYR1.06 billion as higher volumes and favorable foreign exchange rates offset the impact of the thinner spreads.

EBITDA margin was higher at 42% compared to 41%.

Profit for the segment saw a significant rise of MYR368 million to MYR618 million due to the one-time write-off of MYR241 million taken by the segment last quarter. Excluding the write-off, PAT would have risen 22%, in line with the EBITDA.

Now, moving on to the fertilizer and methanol segment, again, comparing with the corresponding quarter first.

The F&M segment saw much lower product prices compared to the same quarter last year. Ammonia and urea were affected by oversupply and weak demand compounded by new capacity additions whereas methanol was impacted by the weak demand from methanol-based energy derivatives due to the low energy prices.

On the back of these low product prices, revenue for the quarter shrank by 2% to MYR1.01 billion as higher volumes lessened the impact of these lower product prices.

Segment EBITDA declined 3% to MYR394 million mainly impacted by the lower product prices. Consequently, EBITDA margin declined from 38% to 37%.

Profit for the quarter also fell 15% to MYR257 million.

Now against the preceding quarter, F&M prices were mixed with methanol prices being stable in line with crude oil prices whereas urea and ammonia were dampened by weak demand. This translated to a lower revenue for the segment at MYR1.01 billion compared to MYR1.06 billion in the previous quarter.

EBITDA, however, rose 6% from MYR373 million as lower spreads were offset by higher sales volume and favorable foreign exchange rates. EBITDA margin rose 3 percentage points to 37% and profit increased 17% to MYR257 million.

Next we have our balance sheet and cash flow. You will find the balance sheet on slide 10 and cash flow on 11.

As at September 30, our total assets increased by MYR705 million represented by the addition to property, plant, and equipment, mainly from projects RAPID and SAMUR.

As for cash flow, for the nine month period this year, we saw lower cash generated from operating activities in line with the lower revenue generated.

Cash balance for the period decreased MYR499 million mainly for spendings in the RAPID petrochemical projects, SAMUR, as well as dividends paid.

To date, we have spent a total of MYR1.36 billion in dividends related to the second interim dividend for 2015 and the first interim dividend for 2016.

We currently stand at MYR8.2 billion in cash and we remain committed in our growth investment plans.

That wraps up the financial performance. I now hand over the session back to Yusri for the manufacturing highlights. Thank you.

Yusri Yusof, *Head of Manufacturing:*

Thank you, Rashidah. Let us start the operational highlights by referring to slide 13.

Over the past few years, our operational performance has showed steady improvement in maximizing plant capacity in line with our efforts to drive operational performance since early 2013.
Year-to-date September 2016, plant utilisation performance is 10% higher than 2015 and quarter three 2016 performance is better than preceding quarter by 5% and corresponding quarter by 12% respectively. In fact, as mentioned before, quarter three 2016 recorded the strongest plant utilisation ever. The higher production is due to improved plant reliability and better feedstock supply, especially to our methanol plant. Seamless synchronization of activities across the hydrocarbon value chain from offshore to our facilities, which basically optimised plant availability and optimised turnaround scopes for our ABF plant which has resulted in shorter TA durations.

Next slide, slide 14, shows the key highlights which led to Q3 performance. High methanol and ethylene production are the result of stronger plant reliability, healthier feedstock supply, and better operational coordination. The rigor in executing our operational excellence journey is translating into results. Through our reliability improvement program and disciplined operational excellence practices, we have seen significant improvement in our plant reliability.

Our methanol plant especially has smoother operations in the past few quarters and continues to improve significantly.

Supported by feed gas supply from Dalak pipeline since quarter one, we have been able to ramp up methanol production to its best level.

For methanol, quarter three performance recorded an 8.5% higher volume than preceding quarter.

As for ethylene production, quarter on quarter we are operating the two steam crackers more reliably despite several interruptions, both planned and unplanned, at our supplier sites. The integration across the value chain has minimised some of the opportunity losses and these have translated to quarter three production for ethylene to be comparable to the preceding quarter.

In addition, the TA, or turnaround scope optimization, has also added to the strong operational performance in quarter three. During our last quarterly highlights, I mentioned that a planned plant turnaround or TA at our ABF plant is expected in quarter three of 2016.

But, throughout -- in our continued effort to maximise our value, whilst ensuring compliance to regulatory requirement on safety and asset integrity, we have been working closely with our regulatory authority, DOSH, Department of Occupational Safety and Health, to optimise some of the TA scopes, effectively shortening the duration of ABF's TA. These efforts have enabled us to have a 100% plant availability in quarter three.

Let's now look at some of the current projects that we have in our portfolio.

Slide 15 refers to SAMUR project. Just for your information, SAMUR project, upon commercial operation, will be an operating unit for PCG known as Petronas Chemicals Fertiliser Sabah Sdn Bhd. In short, PCFSSB, a 100% subsidiary of PCG.

As you are aware, SAMUR project is a key growth strategy for PCG in strengthening our position in basic petrochemicals. The project consists of construction and commissioning of a 700,000 tonnes ammonia plant and 1.2 million tonnes granular urea plant. This positions PCG as a key urea player in the region with a combined total of 2.6 million tonnes of urea.

As of today, November 2, 2016, the ammonia plant has completed its commissioning and is currently producing ammonia. In fact, we have successfully started our first ammonia shipment on August 9, 2016. I am also happy to report that the urea plant has achieved its on-specification product yesterday, November 1, 2016, and currently we are stabilising the operations of both ammonia and urea plants and will gradually increase the plant load to its normal capacities.

Both plants will undergo a performance test run with a target of full commercial operation before the year-end. Final acceptance of the project is expected after we have completed our warranty and regulatory shut down currently targeted at the end of 2017.

Slide 16 highlights our diversification into specialty chemicals at our JV plant, BASF Petronas Chemicals Sdn Bhd or BPC in Gebang, Pahang. First is the AROMA complex. The integrated complex will produce citral, citronellol, and menthol, which are aroma ingredients to meet the high demand from rapidly growing fragrance and flavor industries. This project marks PCG's foray into the highly attractive niche and specialty play which are less affected by cyclicality compared to commodity chemicals.

The first plant producing citral and citronellol started commissioning in quarter two 2015 and we hope to get first products within this month in November. This will then be followed by the commissioning of the menthol plant in early 2017.

Second, is the 2-Ethylhexanoic acid plant or 2-EHA plant. The 2-EHA plant will be the first of its kind in the ASEAN region and will benefit from the -- in the integration with our current facilities in Gebang. The plant will have a total annual capacity of 30,000 metric tonnes, which is mainly used as compound for the production of synthetic lubricants and oil additives.

It is also used for functional fluids like automotive coolants, metal salts for paint dryers, plasticizers, stabilizers, and various other industrial applications. The project is progressing as planned and targeted to start commissioning in quarter four this year, within the next month or so.

Third is the highly reactive polyisobutene or HR-PIB plant. HR-PIB is another new world scale production plant, which again will the first of its kind in South East Asia, with an annual capacity of 50,000 metric tonnes. HR-PIB is an important intermediate product for the manufacture of high performance fuel and lubricant additives. The project is currently under construction and is progressing as planned and targeted for commissioning in 2017.

Let me then summarize the operational highlights of this quarter. We continue to deliver strong operational performance quarter on quarter for three successive quarters and operationally quarter three is the strongest quarter for PCG. This is a result of disciplined execution of the strategic plan that was made towards achieving our vision of being the Preferred Chemical Company Providing Innovative Customer Solutions.

We shall remain focused in safeguarding safety, managing our assets and its reliability and being effective in planning and executing our plant turnarounds. We will continue to strengthen the close collaboration and integration across our value chain to ensure sustainability of success in the collaborative values that we have gained so far.

Our team remains committed and we are confident that we will continue to build on our current performance. Thank you for listening to my highlights, and I would like to hand over to Akbar for market performance and outlook.

Akbar Thayoob, *Head of Commercial*:

Thanks, Yusri. Good evening everyone. Akbar Thayoob here and lets proceed with the market highlights and may I have your attention and reference slide number 18.

Overall, prices have stabilized at a lower level in quarter three 2016 compared to quarter two for most of O&D and F&M products. Nonetheless, it is observed that O&D product prices, towards the end of quarter three, have become stable and recovered on the back of stronger crude oil and naphtha prices.

This is further supported by limited -- by limitation of ethylene supply and restocking activities prior to G20 Summit in September.

On the other hand, urea and ammonia prices have softened in quarter three given the global oversupply situation alongside cautious buying sentiments in key regions. Methanol prices have slightly gained from strong demand for MTOs, or methanol to olefins, and downstream derivatives.

Moving into quarter four 2016, we anticipate the market for olefins and derivatives to remain stable given the tight supply, despite slower end product demand.

Meanwhile, urea market is stabilizing on the back of limited availability following the Indian purchase tender, anticipated demand in view of spring application season in the US, and increase in cost of coal.

Ammonia will remain challenging in view of global oversupply.

Methanol price may also improve, mostly contributed by a series of production issues impacting the supply, as well as strong demand for downstream derivatives within the Asia Pacific region mainly for MTO.

I will now proceed to our outlook under the O&D business segment starting off with ethylene.

The average ethylene price stabilized at much lower levels in quarter three 2016. Tight supply amongst South East Asian producers was, however, negated by increased supply from the restart of major crackers in Singapore. Softer derivatives demand also contributed to the lower ethylene price in quarter three 2016. This is mainly due to Southern China's province plant operations that were halted to cater for the G20 Summit.

Moving into quarter four, a firmer outlook is anticipated as supply will continue to be tight in view of several turnarounds in the Middle East and Asia as well as the unplanned shutdown at a major producer in Singapore.

Peak downstream production period in China for the styrene monomer and vinyl chloride segments throughout early quarter four is also likely to lift ethylene prices higher. This emerging demand for vinyl and styrene monomer can be attributed to the high post-monsoon period in India and the decline in deep sea cargoes respectively. But despite this bullish undertone from the supply constraints, market participants are still adopting a wait and see stance.

Polymers. Polymer prices saw a slight positive trend in quarter three 2016 versus quarter two 2016 in view of seasonal demand and short supply of certain grades for polymer. Polymer prices are assessed to be softening in quarter four amid a relatively quiet market with limited buying interest following the slowdown in restocking towards year end.

In the meantime, the depreciation of Chinese yuan will also likely dampen buying interest for import cargoes. However, potential regional supply limitation from turnaround in quarter four is expected to cushion this bearish sentiment.

Moving on to MEG. Prices have softened as compared to quarter two this year, tracking lower feedstock ethylene prices in the first half of quarter three due to the restart of a major upstream producer despite the improved demand before the G20 Summit in September. Thereafter, low demand prior to the Golden Week holiday in China have exerted pressure, further pressure on MEG prices.

Moving into quarter four, energy prices are predicted to be stable as buyers look to replenish cargoes following the long Golden Week holiday and the supply woes caused by the outage at a major South East Asia upstream facility.

At present, downstream polyester -- downstream polyester sales is predicted to remain stable as inventory levels of polyester in the region has decreased. However, the current uptrend in the first half of October might be a short-term boost as polyester demand might begin to slow down towards the mid of Q4 due to year-end destocking activities. Besides, volatile crude oil prices has made the outlook of MEG unclear, which may curtail buying indications.

Aromatics. Aromatic prices have stabilized in quarter three on the back of steady run rates at downstream PTA alongside improved demand prior to the G20 Summit in China. Increased supply availability from the restart of a major Singapore producer in August, and anticipated low demand due to China's national holidays in early October have kept prices stable.

Much like MEG, it is foreseen that prices will be softer but stable in quarter four following the week demand due to low levels of China's downstream PTA outputs. Overall, the market is predicted to balance by Q4 as there is sufficient supply to meet aggressive demand even though some major producers in North East Asia and Middle East are undergoing maintenance.

Now moving on to the F&M business segment I shall start with urea.
Urea prices were softer in quarter three this year following a global surplus in addition to reduction of demand in China. Cautious buying sentiment in the US due to low season has also kept the urea price level. We anticipate the urea price outlook to firm up in quarter four 2016, on limited spot availability following the MMTC Indian purchase tender which will take about 1 million tonnes out of the market by early November.

There are expectations of Chinese offers after the Golden Week holiday as traders look to cover commitment for India. Tight spot availability is expected throughout quarter four as most producers are committed to fulfil contract cargoes, and planned shutdowns in the region probably will make the situation a little better for the urea pricing in the Gulf region.

High demand is anticipated in the US as buyers are anticipated to stock up in preparation for spring application season in quarter one 2017. The cost of producing urea in China is also expected to increase following the increase in coal prices, reinforcing the bullish sentiments.

As for ammonia. In quarter three 2016 prices, have weakened on continued global oversupply and the breach of floor of -- price floor in Tampa which is actually the FOB Yuzhny price plus $100. This confirms the bearish sentiment. This is in view that even ongoing and unscheduled shutdowns in key regions has failed to provide support for ammonia prices.

Further price falls are predicted in quarter four given the oversupply being the main concern for suppliers with tonnage still available outside contract commitments for October and November listing, particularly from the Middle East. Manufacturers in the Middle East and Yuzhny are considering halting operations in order to mitigate their losses.

A major Saudi producer has started up in September with an excess of 1.1 million metric tonne per year of ammonia which will surely flood the market considering the downstream DAP operation has yet to start up until 2017. This has placed more pressure on both regional and deep sea cargoes as this is more than enough to cover Asia's market demands.

Lastly, for methanol, prices remain at similar price level in quarter three versus quarter two with growing support from resilient demand for MTO applications. On the other hand, elevated import volumes into China from Middle East has kept the methanol price range-bound. We foresee prices strengthen into quarter four contributed by a series of production issues within the Asia Pacific region and the Middle East impacting the market and strong derivative demand mainly from MTOs. These have changed the original -- the originally balanced market to a tighter Asian spot market.

Downstream demand is predicated to be stable with steady operating rates hovering around 70% to 80% for producers of formaldehyde and acetic acid.

Next I will be talking about our commercial achievements for quarter three and the way forward. Despite a softer market from quarter two 2016 into quarter three 2016, we recorded the highest overall sales performance for the quarter, particularly to focused execution of our strategies and initiatives, mainly the reduction of cost to serve, strengthening our position in key markets, and undertaking strategic volume shifts.

Moving forward, we will strive to deliver the identified strategies and initiatives in order to sustain our commercial excellence performance.

With that, that concludes my section on the market and our focus moving forward, and back to you En Yusri.

Yusri Yusof, *Head of Manufacturing:*

Thank you, Akbar. Before we proceed to the Q&A, I would like to highlight that at PCG we remain steadfast in our commitment to navigate this challenging period by focusing on operational and commercial efforts.

HSE, health, safety and environment, remains our top priority underpinning every aspect of our operation, which has brought about impressive overall plant utilisation and EBITDA margin seen in this quarter.

Moving forward, we will work to maintain the high plant reliability and feedstock supply performance.

In addition, we are continuing our efforts to enhance customer experience in ensuring business continuity and improved values.

Switching to our growth projects, as I mentioned earlier, we are already producing urea from our SAMUR project, and the commissioning activity at our integrated AROMA ingredient complex are progressing well and we are gearing ourselves for commercial operation very, very soon.

On the same note, we are also pleased to say that the petrochemical projects currently under RAPID are also progressing as planned.

Let us now move to the Q&A. Thank you.

Operator:

Thank you. (Operator instructions). We will now take our first question from Alex Goh from AM Bank. Your line is open. Please go ahead.

Alex Goh, AM Research – Analyst:

Many thanks for the presentation. I have just one question. Could you give us -- tell us when are you going to do your plant maintenance activity, whether there's going to be any major turnaround activities or not? I understand there was supposed to be one coming in this quarter itself. I'm just wondering when exactly it's going to start happening, and how long is that going to take.

Yusri Yusof, *Head of Manufacturing:*

Thank you Alex, Yusri here. I have mentioned in our presentation, we managed to de-scope some of the activities for the TA and ABF. And actually the turnaround at ABF is currently undergoing in October and it is expected to finish by the middle of November. And that's the only turnaround activity left for us to undertake for this year.

Alex Goh, AM Research – Analyst:

So currently only ABF -- Asean Bintulu -- what do you call it, ABF, is undergoing?

Yusri Yusof, *Head of Manufacturing:*

Yeah, Asean Bintulu Fertilizer undergoing the TA now, and it's expected to be complete by mid-November.

Alex Goh, AM Research – Analyst:

So this will only affect your F&M site, right? It won't affect your olefins division?

Yusri Yusof, *Head of Manufacturing:*

Yes, the product that comes out from there is urea and ammonia.

Alex Goh, AM Research – Analyst:

Okay. What would you say your plant utilisation will be in this fourth quarter due to this ABF plant turnaround?

Yusri Yusof, *Head of Manufacturing:*

Fourth quarter, nearly mid-90.

Alex Goh, AM Research – Analyst:

Yeah, great. 90.

Yusri Yusof, *Head of Manufacturing:*

Mid-90.

Alex Goh, AM Research – Analyst:

Mid-90s. Going into 2017, what are your other plant turnaround activities that's going to be scheduled?

Yusri Yusof, *Head of Manufacturing:*

2017 will see a slightly higher turnaround activity for us because we'll have our Kerteh facility, which are basically integrated that will undergo some plant turnaround. So -- and we expect that to happen by quarter three.

Alex Goh, AM Research – Analyst:

Third quarter of next year?

Yusri Yusof, *Head of Manufacturing:*

Second and third quarter of next year.

Alex Goh, AM Research – Analyst:

Second, third quarter. And how long will that take? Hello? Sorry?

Yusri Yusof, *Head of Manufacturing:*

Hello, yes. Well, it depends on the plant. On average it will be about 30 to 40 days.

Alex Goh, AM Research – Analyst:

Okay. So internally, what sort of utilisation rate would you be looking at for the whole of next year?

Yusri Yusof, *Head of Manufacturing:*

Next year we are looking at high-80's.

Alex Goh, AM Research – Analyst:

Is it because your -- of the new plant that is going to start operation that's why you dropped to this level?

Yusri Yusof, *Head of Manufacturing:*

No. This is because of the planned activities that we have. As I say, next year the activities are higher than what we have this year.

Alex Goh, AM Research – Analyst:

Okay. What would be the utilisation when SAMUR starts kicking off? I mean, internally, what sort of utilisation are you looking at?

Yusri Yusof, *Head of Manufacturing:*

The utilisation that I mentioned for next year is inclusive of SAMUR.

Alex Goh, AM Research – Analyst:

Okay. Thank you.

Operator:

We will now take our next question from Mayank Maheshwari from Morgan Stanley. Please go ahead.

Mayank Maheshari, Morgan Stanley – Analyst:

Hello. Thank you, first of all, for the presentation today. I think two questions from my side.

One, if you look at the olefins revenue for this year -- for this quarter sorry, you have seen a 20% increase in your olefins revenue while utilisation rates have moved up quarter on quarter by only about 7%. So what's driving that, if you can just explain us that?

The second thing was related to your associates. You have seen some improvement in associates, but the numbers are not yet coming back to historical levels. So what are you seeing there as well in terms of operations? Thank you.

Rashidah Alias, *CFO*:

Hi Mayank. I'll answer the first question first. That was looking at olefins derivatives right and you're comparing against quarter two?

Mayank Maheshari, Morgan Stanley – Analyst:

That's correct.

Rashidah Alias, *CFO*:

Yeah, against quarter two. That's right. I'm sorry, are you looking at revenue, or are you looking at EBITDA?

Mayank Maheshari, Morgan Stanley – Analyst:

I was looking at the revenue numbers. So you had 2,539, I think, as the third quarter revenue, 2,130.

Rashidah Alias, *CFO*:

2,542?

Mayank Maheshari, Morgan Stanley – Analyst:

Yes.

Rashidah Alias, *CFO*:

For third quarter. And –

Mayank Maheshari, Morgan Stanley – Analyst:

Third quarter

Rashidah Alias, *CFO*:

2,133. I'm sorry, the prices -- the volume is better. In quarter two we had 93% plant utilisation. PCARO was down in quarter two, and in quarter three we had 100% plant utilisation. There was an improvement by about 7%. The volume increased, and our composition for the ethane side is also slightly higher for the quarter three.

So that also contributed to the higher revenue in quarter three. So for those two reasons.

The other one -- is that alright?

Mayank Maheshari, Morgan Stanley – Analyst:

So, can you expand a bit on the ethane side of how the composition change helps you on the revenue front?

Rashidah Alias, *CFO*:

Because ethane carries bigger revenue share. This again is indeed the price. If you look at the price of ethylene and PE, the ethane base products, that carries a bigger pie when it comes to revenue and also, of course, the EBITDA part.

In the pricing for quarter three as well as quarter two, we saw the price to be above $1,000 per metric tonne. So any improvement in ethane base volume, that will bode well for our revenue and the results. There's a slight improvement there by about roughly between 2% to 3% for the ethane side.

Mayank Maheshari, Morgan Stanley – Analyst:

So about 7% from utilisation and about 3% from the mix change.

Rashidah Alias, *CFO*:

Yes, that's right.

Mayank Maheshari, Morgan Stanley – Analyst:

But anything else that's happening? Is there some inventory that you would like to, some improvement you would have geared, some inventory from last quarter into this quarter?

Rashidah Alias, *CFO*:

No, our inventory level remains almost at a stable level. No need to change the inventory level there. So primarily those two factors.

Mayank Maheshari, Morgan Stanley – Analyst:

Okay.

Rashidah Alias, *CFO*:

Yeah? Your other question is on share of profits of JV and associates. Look at the quarter comparatives, the one for this quarter that's about MYR25 million and last quarter was MYR31 million, so that was fairly comparable.

But for the nine months, yes there is a dip. I believe we spoke about this a bit. The contribution from one of our associates, that is BASF Petronas Chemical, that has dipped a bit for this year because the market is also very bad for acrylic and oxo-- and those are the main products for BPC.

And for one of the products, the spread has been down in as much as 45% to 50%. So the contribution from BPC was slightly lower, or rather, was lower in the first half of the year. But for quarter three it has started to turn around, and therefore that's why you saw the quarter three performance, compared against last year quarter three, it was back to the almost comparable level.

But again, if you look at year to date, because we were hit in the first six months of the year. But we expect with quarter three turning around showing some positive signs, we expect that for the year moving forward it will be a better contribution from BPC, slowly going up.

Mayank Maheshari, Morgan Stanley – Analyst:

Okay. Thank you.

Rashidah Alias, *CFO*:

Yeah.

Operator:

There are no further questions at this time. Safarah M Salim, I'd like to turn the call back to you for any closing or additional remarks. Thank you.

Safarah M Salim, *IR*:

Are there any further questions from the callers?

Operator:

There are no further questions at this time.

Safarah M Salim, *IR*:

All right then. Ladies and gentlemen, we have come to the end of our session today. However, should you have any queries just contact us via our email. That's at petronaschemicals_ir@petronas.com.my. Thank you again for joining us today. We will see you next quarter.

Rashidah Alias, *CFO*:

Thank you everyone. Thank you very much.

Operator:

That concludes our conference today. Thank you for participating. You may now all disconnect.