PETRONAS CHEMICALS GROUP BERHAD
(formerly known as Kuantan Terminals Sdn Bhd)
(459830-K)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2010

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 third quarter ended 31 December 2010 which should be read in conjunction with the accompanying explanatory notes on pages 8 to 25.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In RM Mil	Note	Individual quarter ended 31 December 2010	Individual quarter ended 31 December 2009 (Restated)	Cumulative quarter ended 31 December 2010	Cumulative quarter ended 31 December 2009 (Restated)
Revenue		3,898	2,986	10,233	8,207
Cost of revenue		(2,688)	(2,283)	(7,304)	(6,058)
Gross profit		1,210	703	2,929	2,149
Selling and distribution		(98)	(76)	(286)	(235)
Administration expenses		(134)	(84)	(331)	(240)
Other expenses		(6)	(8)	(61)	(28)
Other income		74	44	236	340
Operating profit		1,046	579	2,487	1,986
Financing costs		(35)	(25)	(75)	(49)
Share of profit after tax and minority interests of equity accounted associates and jointly controlled entities		264	35	550	109
Profit before taxation		1,275	589	2,962	2,046
Tax expense	B5	(276)	(119)	(660)	(416)
PROFIT FOR THE PERIOD		999	470	2,302	1,630
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		1	(2)	3	-
Share of other comprehensive income of associates and jointly controlled entities		(109)	7	(100)	3
		(108)	5	(97)	3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		891	475	2,205	1,633

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In RM Mil	Note	Individual quarter ended 31 December 2010	Individual quarter ended 31 December 2009 (Restated)	Cumulative quarter ended 31 December 2010	Cumulative quarter ended 31 December 2009 (Restated)
Profit attributable to:					
Shareholders of the Company		874	337	2,062	1,317
Minority interests		125	133	240	313
PROFIT FOR THE PERIOD		999	470	2,302	1,630
Total comprehensive income attributable to:					
Shareholders of the Company		766	342	1,965	1,320
Minority interests		125	133	240	313
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		891	475	2,205	1,633
Earnings per share attributable to shareholders of the Company					
Based on weighted average number of shares issued (RM)	B17	0.12	0.05	0.28	0.18

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

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM Mil	Note	As at 31 December 2010	As at 31 March 2010 (Restated)
ASSETS			
Property, plant and equipment		12,741	12,992
Investments in associates		745	822
Investment in jointly controlled entity		74	107
Intangible assets	A12	2,072	1,211
Other assets		29	32
Deferred tax assets		456	491
TOTAL NON-CURRENT ASSETS		16,117	15,655
Trade and other inventories		1,159	1,231
Trade and other receivables		2,279	2,237
Tax recoverable		124	212
Fund and other investments		20	25
Cash and cash equivalents		7,582	7,532
TOTAL CURRENT ASSETS		11,164	11,237
TOTAL ASSETS		27,281	26,892
EQUITY			
Share capital		800	1
Reserves		17,931	17,068
Total equity attributable to shareholders of the Company		18,731	17,069
Minority shareholders' interests		1,416	1,979
TOTAL EQUITY		20,147	19,048
LIABILITIES			
Borrowings	B10	3,367	1,254
Deferred tax liabilities		1,421	1,167
Other long term liabilities and provisions		25	28
TOTAL NON-CURRENT LIABILITIES		4,813	2,449
Trade and other payables		1,680	4,734
Borrowings	B10	403	623
Taxation		238	38
TOTAL CURRENT LIABILITIES		2,321	5,395
TOTAL LIABILITIES		7,134	7,844
TOTAL EQUITY AND LIABILITIES		27,281	26,892

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

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company			
In RM Mil	**Share Capital**	**Share Premium**	**Foreign Currency Translation Reserve**	**Merger Reserve**
Cumulative quarter ended 31 December 2009 (Restated)				
Balance at 1 April 2009	1	-	-	4,481
Total comprehensive income	-	-	-	-
Additional equity interest in subsidiaries	-	-	-	2,336
Pre-merger dividends	-	-	-	-
Others	-	-	-	(200)
Balance at 31 December 2009	1	-	-	6,617
Cumulative quarter ended 31 December 2010				
Balance at 1 April 2010	1	-	(3)	5,925
Total comprehensive income	-	-	3	-
Adjustment arising from settlement of debt	-	-	-	-
Effect on common control transfer of subsidiaries, associates and jointly controlled entities	729	4,561	-	(6,129)
Additional equity interest in subsidiaries	-	-	-	-
Pre-merger dividends	-	-	-	-
Dividend to minority shareholders	-	-	-	-
Issuance of ordinary shares (net of expenses incurred)	70	3,510	-	-
Others	-	-	-	-
Balance at 31 December 2010	800	8,071	-	(204)

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

In RM Mil	*Attributable to shareholders of the Company* Other Reserves	Retained Profits	Total	Minority Interest	Total Equity
Cumulative quarter ended 31 December 2009 (Restated)					
Balance at 1 April 2009	195	11,059	15,736	2,082	17,818
Total comprehensive income	3	1,317	1,320	313	1,633
Additional equity interest in subsidiaries	-	-	2,336	(354)	1,982
Pre-merger dividends	-	(1,563)	(1,563)	(126)	(1,689)
Others	-	-	(200)	-	(200)
Balance at 31 December 2009	198	10,813	17,629	1,915	19,544
Cumulative quarter ended 31 December 2010					
Balance at 1 April 2010	247	10,899	17,069	1,979	19,048
Total comprehensive income	(100)	2,062	1,965	240	2,205
Adjustment arising from settlement of debt	(83)	-	(83)	-	(83)
Effect on common control transfer of subsidiaries, associates and jointly controlled entities	-	-	(839)	-	(839)
Additional equity interest in subsidiaries	-	-	-	(273)	(273)
Pre-merger dividends	-	(2,962)	(2,962)	(468)	(3,430)
Dividend to minority shareholders	-	-	-	(30)	(30)
Issuance of ordinary shares (net of expenses incurred)	-	-	3,580	-	3,580
Others	13	(12)	1	(32)	(31)
Balance at 31 December 2010	77	9,987	18,731	1,416	20,147

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

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2010

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In RM Mil	**2010**	**Cumulative quarter ended 31 December 2009 (Restated)**
Cash receipts from customers	10,363	8,422
Cash paid to suppliers and employees	(10,358)	(5,212)
	5	3,210
Interest income received	130	131
Taxation paid	(396)	(254)
Cash flows (used in)/generated from operating Activities	(261)	3,087
Dividend received from associates	281	-
Net cash (paid)/acquired resulting from acquisition of shares in subsidiaries	(945)	484
Investment in securities	-	(22)
Purchase of property, plant and equipment	(322)	(601)
Other assets	3	20
Proceeds from disposal of securities	5	136
Cash flows (used in)/generated from investing activities	(978)	17
Proceeds from issues of shares (at premium)	3,640	-
Dividends paid to Petroliam Nasional Berhad ("PETRONAS")	(2,781)	(1,518)
Dividends paid to minority shareholders	(468)	(112)
Redemption of preference shares:		
- PETRONAS	(48)	-
- Others (third party)	(32)	-
Drawdown of:		
- PETRONAS loans and advances	1,367	-
- revolving credits and bankers' acceptance	2,278	2,155
Repayment of:		
- PETRONAS loans and advances	(5)	(61)
- Islamic financing facilities	(92)	(120)
- term loans	(30)	(109)
- revolving credits and bankers' acceptance	(2,476)	(2,287)
Interest expense paid	(55)	(5)
Cash flows generated from/ (used in) financing activities	1,298	(2,057)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In RM Mil	Cumulative quarter ended 31 December 2010	2009 (Restated)
Net increase in cash and cash equivalents	59	1,047
Net foreign exchange differences	(6)	(8)
Cash and cash equivalents at beginning of the period	7,443	6,926
Cash and cash equivalents at end of the period	7,496	7,965

	As at 31 December 2010	As at 31 December 2009 (Restated)
Cash and cash equivalents		
Cash and bank balances and deposits	7,582	8,078
Less: Deposits restricted	(86)	(113)
	7,496	7,965

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

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2010

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

A1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with FRS 134, *Interim Financial Reporting* and Paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements ("Bursa Malaysia Listing Requirements"), and should be read in conjunction with the financial statements of the Group for the year ended 31 March 2010 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

Within the context of these condensed consolidated financial statements, the Group comprises the Company and its subsidiaries, and the Group's interest in associates and a jointly controlled entity as at and for the period ended 31 December 2010.

Acquisition of subsidiaries under common control (in which all parties involved, being the acquirer, acquiree and seller, are ultimately controlled by the same entity before and after the acquisition) are consolidated using the merger method of accounting. Under the merger method of accounting, the results of subsidiaries acquired during the year are included from the date in which the subsidiaries first came under common control. All relevant comparative financial statements' items are therefore restated to reflect as if the acquisition had been in effect since the date of common control.

On consolidation, the difference between the carrying value of the investment and the nominal value of shares received is treated as a merger reserve or deficit. Merger reserves or deficits are classified as equity and included in non-distributable capital reserves.

Other acquisitions of subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, the results of subsidiaries acquired during the year are included in the condensed consolidated financial statements from the date that control commences until the date that control ceases. The purchase method of accounting involves allocating the cost of acquisition to the Group's interest in fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition.

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 the year ended 31 March 2010.

A2. SIGNIFICANT ACCOUNTING POLICIES (continued)

As of 1 April 2010, the Group and the Company have adopted the following FRSs and Amendments to FRSs which are effective for annual periods beginning on or after 1 January 2010 (unless otherwise stated):

FRS 8	*Operating Segments (effective for annual periods beginning on or after 1 July 2009)*
FRS 101	*Presentation of Financial Statements (Revised)*
FRS 123	*Borrowing Costs (Revised)*
Amendment to FRS 107	*Cash Flow Statements*
Amendment to FRS 108	*Accounting Policies, Changes in Accounting Estimates and Errors*
Amendment to FRS 116	*Property, Plant and Equipment*
Amendment to FRS 117	*Leases*
Amendment to FRS 118	*Revenue*
Amendment to FRS 119	*Employee Benefits*
Amendment to FRS 127	*Consolidated and Separate Financial Statements*
Amendment to FRS 128	*Investments in Associates*
Amendment to FRS 131	*Interests in Joint Ventures*
Amendment to FRS 132	*Financial Instruments: Presentation (Puttable Financial Instruments and Obligations Arising on Liquidation / Separation of Compound Instruments)*
Amendment to FRS 134	*Interim Financial Reporting*
Amendment to FRS 136	*Impairment of Assets*
Amendments to FRS 139, FRS 7 and IC Interpretation 9	*Financial Instruments: Recognition and Measurement; Financial Instruments: Disclosures; and Reassessment of Embedded Derivatives*

The adoption of the above FRSs and Amendments to FRSs other than FRS 8, FRS 101 and Amendment to FRS 117, did not have a material impact on the Group financial statements.

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

A2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group has adopted FRS 8, which replaces FRS 114_{2004} Segment Reporting. FRS 8 requires the Group to determine and present operating segments based on the information that is internally provided to the Group's Chief Operating Decision Maker for the purpose of allocating resources to the segments and assessing their performance. It also sets out the required disclosures for operating segments. The adoption of FRS 8 has no effect on the Group's reported income or net assets, other than extended disclosures on operating segment results.

The Group has also adopted Revised FRS 101 which requires the Group to present all non-owner changes in equity in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it is in conformity with the revised standard.

The adoption of Amendment to FRS 117 has resulted in a change in the accounting policy relating to the classification of leases of land.

Prior to the adoption of Amendment to FRS 117, the Group had previously classified leases of land as operating leases and had recognised the amount of payments made on entering into or acquiring the land as prepaid lease payments. These land are amortised over the lease term in accordance with the pattern of benefits provided. On adoption of Amendment to FRS 117, the Group treats such leases of land that meets the definition of finance leases as property, with the unamortised carrying amount classified as leasehold land within property, plant and equipment. These land are then accounted for in these financial statements in accordance with the accounting policy for property, plant and equipment. The effects of adopting Amendment to FRS 117 had been accounted for retrospectively in accordance with the transitional provisions of the standard. This change in accounting policy does not have material impact on the Group's reported income and net assets.

A3. AUDIT QUALIFICATION

The separate audited financial statements of PCG and its subsidiaries for the year ended 31 March 2010 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 periods of tight supply, leading to high capacity utilisation rates and margins, followed by periods of oversupply, primarily resulting from significant capacity additions, leading to reduced capacity utilisation rates and margins.

A5. EXCEPTIONAL ITEMS

There were no exceptional items during the period ended 31 December 2010.

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 March 2010 that may have a material effect in the current financial period results.

A7. DEBTS AND EQUITY SECURITIES

There were no material issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the period ended 31 December 2010, except for the following:

Subdivision of shares:

Share subdivision of every 1 existing ordinary share of RM1,000.00 each in PCG to 10,000 ordinary shares of RM0.10 each. Following the subdivision of shares, the number of issued and paid up share capital of PCG increased from 1,000 ordinary shares of RM1,000.00 each to 10,000,000 ordinary shares of RM0.10 each.

Issuance of shares:

Between 30 August 2010 and 20 September 2010, 7,290 million ordinary shares at RM0.10 each were issued for the acquisitions of subsidiaries, associates and jointly controlled entities as a result of the reorganisation undertaken and completed before the listing of and quotation for the shares of PCG on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

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

A7. DEBTS AND EQUITY SECURITIES (continued)

Issuance of new ordinary shares pursuant to listing of PCG shares:

In conjunction with the Initial Public Offering ("IPO") of PCG's ordinary shares, the Company has issued 700 million new ordinary shares of RM 0.10 each at RM5.20 per share. Upon completion, the issued and fully paid ordinary shares of the Company amounted to 8,000 million shares. The Company was subsequently listed on the Main Market of Bursa Malaysia on 26 November 2010.

A8. DIVIDENDS PAID

There were no dividends paid during the current quarter by the Company.

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

A9. SEGMENT RESULTS AND REPORTING

- Olefins and Polymers - activities include the supply and trading, manufacturing, marketing and transportation of a wide range of olefin and polymer products, which are used as basic feedstock for other products, to intermediate products including basic and high performance chemicals.

- Fertilisers and Methanol - activities include producing and selling methanol and a range of nitrogen, phosphate and compound fertilisers.

- Others - comprises other businesses that support the petrochemicals' business operations and unallocated income and expenses.

9.1 Revenue

	Cumulative quarter ended 31 December					
	External customers		Inter segment		Gross total revenue	
In RM Mil	2010	2009 (Restated)	2010	2009 (Restated)	2010	2009 (Restated)
Olefins and Polymers	7,943	6,133	4	4	7,947	6,137
Fertilisers and Methanol	2,243	2,026	58	14	2,301	2,040
Others	47	48	31	31	78	79
Total	10,233	8,207	93	49	10,326	8,256

9.2 Profit for the period (1)

	Cumulative quarter ended 31 December	
In RM Mil	2010	2009 (Restated)
Olefins and Polymers	2,067	1,181
Fertilisers and Methanol	150	181
Others	85	268
Total	2,302	1,630

(1) Included within profit for the period for Olefins and Polymers, Fertilisers and Methanol and Others segments are depreciation and amortisation expenses amounting to RM580 million (2009: RM429 million), RM230 million (2009: RM187 million) and RM9 million (2009: RM9 million) respectively.

A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluation of property, plant and equipment during the period under review. As at 31 December 2010, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

A11. MATERIAL SUBSEQUENT EVENTS

There were no material events subsequent to the end of the period under review.

A12. INTANGIBLE ASSETS

In RM Mil	As at 31 December 2010	As at 31 March 2010 (Restated)
Balance as at 1 April	1,211	53
Goodwill on acquisition of subsidiaries	655	1,159
Recognition of deferred tax liabilities on completion of purchase price allocation arising from acquisition of subsidiaries in prior year	264	-
Transfer from property, plant and equipment	-	2
Translation exchange difference	-	(1)
Less: Amortisation of intangible assets	(58)	(2)
Balance as at 31 December / 31 March	2,072	1,211

A13. CHANGES IN COMPOSITION OF THE GROUP

On 2 September 2010, PETRONAS acquired shares in Ethylene Malaysia Sdn. Bhd. ("Ethylene Malaysia"), and Polyethylene Malaysia Sdn. Bhd. ("Polyethylene Malaysia") and a loan from BP Asia Pacific Malaysia Sdn. Bhd. to Polyethylene Malaysia for a total purchase consideration of USD325.6 million (equivalent to RM1,018.1 million) ("BP Cash Consideration") as follows:

Acquiree	Interest acquired	Purchase consideration	
	%	USD Mil	Equivalent RM Mil [1]
Ethlyene Malaysia	12.79	216.0	675.3
Polyethylene Malaysia	60.00	109.6[2]	342.8
Total		**325.6**	**1,018.1**

[1] *Based on the transacted exchange rate of RM3.1265:USD1 on 2 September 2010, being the relevant completion date.*

[2] *Includes acquisition of loans from BP Asia Pacific Malaysia Sdn Bhd to Polyethylene Malaysia of USD53.16 million.*

Arising thereof, PETRONAS nominated the Company as the registered owner of the shares in Polyethylene Malaysia and Ethylene Malaysia and the Company settled the BP Cash Consideration.

As a result, the Company increased its equity interest in Ethylene Malaysia from 72.5% to 85.3% while Polyethylene Malaysia which was previously a jointly controlled entity became a wholly-owned subsidiary of the Company. The net profit contributed by the additional equity holdings in Polyethylene Malaysia from the date of acquisition to the period ended 31 December 2010 is not material in relation to the consolidated net profit for the period and is also not material had it been acquired at the beginning of the period.

The share purchase agreement between PETRONAS and BP Chemicals Investment Limited ("BP Chemicals") dated 27 August 2010 ("SPA") also allowed PETRONAS to acquire an additional stake in Ethylene Malaysia of up to 2.21% ("Additional Stake") from BP Chemicals for a cash consideration of up to USD37.1 million, subject to the other shareholder of Ethylene Malaysia, namely Idemitsu Kosan Co. Ltd. ("Idemitsu Kosan") not exercising its pre-emption right to acquire the whole or any part of the Additional Stake.

On 8 October 2010, PETRONAS acquired the entire Additional Stake from BP Chemicals for USD37.1 million (approximately RM 115.0 million based on the transacted exchange rate of RM 3.0990 : USD1 on 8 October 2010, being the relevant completion date) as Idemitsu Kosan did not exercise its pre-emption right to acquire the Additional Stake. Accordingly, PETRONAS nominated the Company as the registered owner of the Additional Stake, and the Company settled the cash consideration for the Additional Stake.

A13. CHANGES IN COMPOSITION OF THE GROUP (continued)

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

In RM Mil	**Carrying amount representing fair value at acquisition date**
Property, plant and equipment	206
Receivables	115
Other assets	65
Cash and cash equivalents	56
Deferred taxation	7
Borrowings	(291)
Other liabilities	(52)
	106
Add : Share of fair value of net identifiable assets relating to additional equity interests in subsidiaries	273
Less : Interests previously held as jointly controlled entity	(29)
	350
Add : Goodwill on acquisition	655
Purchase consideration	1,005
Less: Cash and cash equivalents of subsidiaries acquired	(60)
Cash flow on acquisition, net of cash acquired	945

The initial accounting for the business combinations of Ethylene Malaysia and Polyethylene Malaysia currently has been determined provisionally. The fair values of the identifiable assets, liabilities and contingent liabilities will be determined via a purchase price allocation which is required to be completed on or before 2 September 2011.

A14. CONTINGENCIES

There were no material contingent liabilities or contingent assets since the last consolidated statement of financial position as at 31 March 2010.

A15. CAPITAL COMMITMENTS

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

In RM Mil	**As at 31 December 2010**	**As at 31 March 2010 (Restated)**
Property, plant and equipment:		
Approved and contracted for	361	200
Approved but not contracted for	254	614
	615	814

PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS

B1. REVIEW OF GROUP PERFORMANCE

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

The Group recorded revenue of RM3.9 billion in the current quarter, representing a significant growth of 31% (or RM912 million) compared to the corresponding quarter. This increase was achieved on the back of higher realised prices across most petrochemical products and supported by improved economic activities in Asia. The growth was also attributed to contribution from the recently acquired Polyethylene Malaysia as a wholly-owned subsidiary from September 2010.

Product price increases outstripped the Group's feedstock costs increases, resulting in the Group's operating profit to improve by RM467 million (or 81%) to RM1,046 million. This translated to a stronger quarterly EBITDA[(1)] of RM1,282 million (33% margin), an increase of RM511 million from corresponding quarter.

Share of profits of associates and jointly controlled entities grew by RM229 million, mainly due to higher sales volume and improved margin from BASF Petronas Chemicals Sdn Bhd.

As a result of the factors above, profit for the quarter increased by RM529 million to RM999 million.

(B) Performance of the current period against the corresponding period

The Group recorded overall improved financial performance for the nine-month period ended 31 December 2010 compared to the corresponding period last year. Group's revenue increased by RM2.0 billion (or 25%) to RM10.2 billion, underpinned by higher prices and significant volume addition contributed by our acquisitions, OPTIMAL Chemicals Malaysia Sdn Bhd and Polyethylene Malaysia which were consolidated into the Group's results beginning from October 2009 and September 2010 respectively.

Although stronger product prices were mirrored in the price increases of major feedstocks, the Group's overall spreads between product prices and feedstock prices remained robust. This resulted in operating profit of RM2.5 billion, higher by RM501 million, despite the inclusion of once-off negative goodwill of RM175 mil on acquisition of OPTIMAL Glycols (Malaysia) Sdn Bhd ("OPTIMAL Glycols") in the corresponding period. On a recurring income basis, the Group registered EBITDA[(1)] of RM3.2 billion, compared to RM2.3 billion in the corresponding period.

Overall, profit for the period increased by RM672 million to RM2.3 billion.

The Group's net cash outflow from operations of RM261 million in the current period was mainly due to settlement of accrued feedstock price revision by ASEAN Bintulu Fertilizer, PETRONAS Fertilizer, MTBE Malaysia, PETRONAS Ammonia and PETRONAS Methanol amounting to RM3.2 billion. Excluding this payment, the Group generated RM3.0 billion of net cash inflow from our operations during the period.

(1) *EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of associates and jointly controlled entities and other exceptional items.*

B2. VARIATION OF RESULTS AGAINST THE PRECEDING QUARTER

Group's revenue increased by RM728 million (or 23%) to RM3.9 billion, on the back of higher sales volume and recovery of product prices from the preceding quarter. Sales volume growth recorded in the current quarter was due to higher utilisation of OPTIMAL Glycols plant and contribution from Polyethylene Malaysia, which was consolidated beginning from September 2010.

Operating profit of the Group grew by RM474 million (or 83%) to RM1,046 million, underpinned by improved products spreads. The Group achieved EBITDA[(1)] of RM1,282 million, higher by RM459 million compared to preceding quarter.

For the current quarter, the profit increased by RM427 million to RM999 million.

B3. CURRENT YEAR PROSPECTS

The results of our operations are expected to be primarily influenced by fluctuations in international petrochemical products prices, global economic conditions and utilisation rate of our production facilities. The Board expects the results of our operations for the financial year ending 31 March 2011 to be satisfactory.

B4. PROFIT FORECAST OR PROFIT GUARANTEE

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

(1) *EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of associates and jointly controlled entities and other exceptional items.*

B5. TAX EXPENSE

	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
In RM Mil	**2010**	**2009 (Restated)**	**2010**	**2009 (Restated)**
Current tax expenses				
Malaysia	230	103	635	382
Deferred tax expenses				
Origination and reversal of temporary differences	46	16	25	34
	276	119	660	416

The Group's effective tax rates for the 9 months period ended 31 December 2010 and 31 December 2009 are 22% and 20% respectively.

The lower effective tax rates as compared to statutory tax rates of 25% were due to share of profit after tax and minority interests of equity accounted associates and jointly controlled entities, excluding which the effective tax rates are 27% and 21% respectively ("normalised tax rates").

Normalised tax rate for the current period is higher mainly due to non-recognition of deferred tax assets relating to unutilised tax losses while last year's tax rate was lower due to non taxability of negative goodwill arising from acquisition of OPTIMAL Glycols.

B6. SALES OF UNQUOTED INVESTMENTS/PROPERTIES

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

B7. QUOTED SECURITIES

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

B8. STATUS OF CORPORATE PROPOSALS

Memorandum of Understanding between PETRONAS and BASF

On 6 December 2010, PETRONAS and BASF signed a Memorandum of Understanding to undertake a joint feasibility study to produce specialty chemicals in Malaysia. The final scope of the investments will be determined following the outcome of the joint feasibility study, which is targeted to be completed in 2011.

For the subsequent phases of the collaboration, PCG will jointly evaluate with BASF, the outcome of the feasibility study and may adopt it as part of PCG's strategic growth plans, if technically and commercially viable.

Save as disclosed above, there is no other major corporate proposal pending completion.

B9. UTILISATION OF PROCEEDS

The status of the utilisation of listing proceeds of RM3,640 million raised from the Public Issue as at date of this report are as follows;

In RM Mil	**Proposed utilisation**	**Actual utilisation**	**Intended timeframe for utilisation from the date of listing**
Expansion of business and synergistic of growth acquisitions	2,344	-	Within 5 years
Working capital requirements and general corporate purposes	1,200	-	Within 2 years
Estimated listing expenses	96	75	Within 1 year
Total gross proceeds	3,640	75	

B10. BORROWINGS

The details of the Group borrowings as at 31 December 2010 are as follows:

In RM Mil	As at 31 December 2010	As at 31 March 2010 (Restated)
Current		
Secured		
Term loans (USD)	130	73
Islamic financing facilities	66	92
	196	165
Unsecured		
Term loans (USD)	-	7
Revolving credits (RM)	148	398
Bankers' acceptance	59	-
PETRONAS loans and advances	-	53
	207	458
	403	623
Non-current		
Secured		
Term loans (USD)	174	256
Islamic financing facilities	273	338
	447	594
Unsecured		
Term loans (USD)	-	23
PETRONAS loans and advances	2,920	587
Related company's advance (USD)	-	50
	2,920	660
	3,367	1,254
TOTAL	3,770	1,877

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

B11. DERIVATIVE FINANCIAL INSTRUMENTS

The Group does not have any material derivative financial instruments as at the date of this report.

B12. 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 current and cumulative quarter ended 31 December 2010.

B13. DISCLOSURE OF REALISED AND UNREALISED PROFIT

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 Requirements,* 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 profit as at 31 December 2010 and 30 September 2010 are disclosed as follows:

In RM Mil	**As at 31 December 2010**	**As at 30 September 2010**
Total retained profits of PCG and its subsidiaries:		
Realised	11,860	10,813
Unrealised	(688)	(640)
	11,172	10,173
Total share of retained profits from associates:		
Realised	391	506
Unrealised	(17)	(8)
Total share of retained profits from jointly controlled entity:		
Realised	101	102
Unrealised	(22)	(22)
Total realised and unrealised	11,625	10,751
Less: Consolidation adjustments	(1,638)	(1,638)
Total group retained profits as per consolidated accounts	9,987	9,113

B14. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B15. MATERIAL LITIGATION

Since the last separate audited financial statements of PCG and its subsidiaries for the year ended 31 March 2010, there is no pending material litigation.

B16. DIVIDEND

The Board of Directors of the Company does not recommend any payment of dividend for the current quarter under review.

B17. EARNINGS PER SHARE

	Individual quarter ended 31 December		Cumulative quarter ended 31 December	
In RM Mil	**2010**	**2009 (Restated)**	**2010**	**2009 (Restated)**
Profit for the period attributable to shareholders of the Company	874	337	2,062	1,317
Earnings per share attributable to shareholders of the Company:				
In thousands of shares				
Number of shares issued	8,000,000	7,300,000	8,000,000	7,300,000
Weighted average number of shares issued	7,513,796	7,300,000	7,389,458	7,300,000
Earnings per share (RM) *	0.12	0.05	0.28	0.18

** Based on weighted average number of shares issued.*

PETRONAS CHEMICALS GROUP BERHAD
(formerly known as Kuantan Terminals Sdn Bhd)
(459830-K)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2010

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

B17. EARNINGS PER SHARE (continued)

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

By order of the Board
Maliki Kamal B Mohd Yasin
(LS 0005209)
Company Secretary
24 February 2011
Kuala Lumpur