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

## QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2012

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 first quarter ended 31 March 2012 which should be read in conjunction with the accompanying explanatory notes on pages 8 to 23.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *In RM Mil* | **Note** | **Quarter ended 31 March 2012** | **2011** |
|---|---|---|---|
| Revenue | | 4,389 | 4,350 |
| Cost of revenue | | (2,722) | (2,971) |
| **Gross profit** | | 1,667 | 1,379 |
| Selling and distribution expenses | | (183) | (99) |
| Administration expenses | | (132) | (92) |
| Other expenses | | (33) | (31) |
| Other income | | 100 | 82 |
| **Operating profit** | | 1,419 | 1,239 |
| Financing costs | | (25) | (33) |
| Share of profit after tax and non-controlling interests of equity accounted associates and jointly controlled entity | | 72 | 164 |
| **Profit before taxation** | | 1,466 | 1,370 |
| Tax expense | B6 | (345) | (156) |
| **PROFIT FOR THE PERIOD** | | 1,121 | 1,214 |
| **Other comprehensive income, net of tax** | | | |
| Foreign currency translation differences for foreign operations | | (1) | (3) |
| Share of other comprehensive income of associates and jointly controlled entity | | (20) | (12) |
| | | (21) | (15) |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | 1,100 | 1,199 |

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2012**

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

| *In RM Mil* | Note | Quarter ended 31 March 2012 | Quarter ended 31 March 2011 |
|---|---|---|---|
| **Profit attributable to:** | | | |
| Owners of the Company | | 1,019 | 986 |
| Non-controlling interests | | 102 | 228 |
| **PROFIT FOR THE PERIOD** | | 1,121 | 1,214 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | 998 | 971 |
| Non-controlling interests | | 102 | 228 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | 1,100 | 1,199 |
| **Earnings per share attributable to shareholders of the Company** | | | |
| Based on weighted average number of shares issued (sen) | B17 | 13 | 12 |

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

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2012**

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *In RM Mil* | **Note** | **As at 31 March 2012** | **As at 31 December 2011** |
|---|---|---|---|
| **ASSETS** | | | |
| Property, plant and equipment | | 12,051 | 12,295 |
| Investments in associates | | 708 | 651 |
| Investment in jointly controlled entity | | 65 | 71 |
| Intangible assets | | 24 | 26 |
| Long term receivables | | 51 | 54 |
| Deferred tax assets | | 457 | 484 |
| **TOTAL NON-CURRENT ASSETS** | | 13,356 | 13,581 |
| Trade and other inventories | | 1,393 | 1,341 |
| Trade and other receivables | | 2,111 | 1,671 |
| Tax recoverable | | 121 | 122 |
| Fund and other investments | | - | - |
| Cash and cash equivalents | | 9,802 | 9,380 |
| **TOTAL CURRENT ASSETS** | | 13,427 | 12,514 |
| **TOTAL ASSETS** | | 26,783 | 26,095 |
| **EQUITY** | | | |
| Share capital | | 800 | 800 |
| Reserves | | 18,293 | 17,292 |
| **Total equity attributable to shareholders of the Company** | | 19,093 | 18,092 |
| Non-controlling interests | | 1,489 | 1,550 |
| **TOTAL EQUITY** | | 20,582 | 19,642 |
| **LIABILITIES** | | | |
| Borrowings | B11 | 241 | 241 |
| Deferred tax liabilities | | 1,275 | 1,259 |
| Other long term liabilities and provisions | | 418 | 430 |
| **TOTAL NON-CURRENT LIABILITIES** | | 1,934 | 1,930 |
| Trade and other payables | | 1,796 | 1,984 |
| Borrowings | B11 | 2,061 | 2,152 |
| Taxation | | 410 | 387 |
| **TOTAL CURRENT LIABILITIES** | | 4,267 | 4,523 |
| **TOTAL LIABILITIES** | | 6,201 | 6,453 |
| **TOTAL EQUITY AND LIABILITIES** | | 26,783 | 26,095 |

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

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

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2012

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | *Attributable to owners of the Company* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Non-Distributable* | | | | | *Distributable* | | | |
| | **Share Capital RM Mil** | **Share Premium RM Mil** | **Foreign Currency Translation Reserve RM Mil** | **Merger Reserve RM Mil** | **Other Reserves RM Mil** | **Retained Profits RM Mil** | **Total RM Mil** | **Non-controlling Interests RM Mil** | **Total Equity RM Mil** |
| As at 1 January 2011 | | | | | | | | | |
| - As previously reported, under FRS | 800 | 8,071 | - | (204) | 77 | 9,919 | 18,663 | 1,413 | 20,076 |
| - Effect of MFRS 3 adoption (Note A3(i)) | - | - | - | - | - | (1,799) | (1,799) | - | (1,799) |
| As at 1 January 2011, adjusted | 800 | 8,071 | - | (204) | 77 | 8,120 | 16,864 | 1,413 | 18,277 |
| Foreign currency translation differences for foreign operations | - | - | (3) | - | - | - | (3) | - | (3) |
| Share of other comprehensive income of associates and jointly controlled entity | - | - | - | - | (12) | - | (12) | - | (12) |
| Total other comprehensive income for the period | - | - | (3) | - | (12) | - | (15) | - | (15) |
| Profit for the period | - | - | - | - | - | 986 | 986 | 228 | 1,214 |
| **Total comprehensive income for the period** | - | - | (3) | - | (12) | 986 | 971 | 228 | 1,199 |
| Dividends to non-controlling interests | - | - | - | - | - | - | - | (235) | (235) |
| Others | - | - | - | - | (4) | 3 | (1) | - | (1) |
| **Total contribution from/(distribution to) owners** | - | - | - | - | (4) | 3 | (1) | (235) | (236) |
| **Balance at 31 March 2011** | 800 | 8,071 | (3) | (204) | 61 | 9,109 | 17,834 | 1,406 | 19,240 |
| - Other effect of transition to MFRS (Note A3(ii), A3(iii)) | - | - | 3 | - | - | (401) | (398) | - | (398) |
| **Balance at 1 April 2011** | 800 | 8,071 | - | (204) | 61 | 8,708 | 17,436 | 1,406 | 18,842 |

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

PETRONAS CHEMICALS

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2012**

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

| | *Attributable to owners of the Company* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Non-Distributable* | | | | | *Distributable* | | | |
| | **Share Capital RM Mil** | **Share Premium RM Mil** | **Foreign Currency Translation Reserve RM Mil** | **Merger Reserve RM Mil** | **Other Reserves RM Mil** | **Retained Profits RM Mil** | **Total RM Mil** | **Non-controlling Interests RM Mil** | **Total Equity RM Mil** |
| As at 1 January 2012 | | | | | | | | | |
| - As previously reported | 800 | 8,071 | - | (204) | 102 | 11,303 | 20,072 | 1,550 | 21,622 |
| - Effect of transition to MFRS | - | - | 3 | - | - | (1,983) | (1,980) | - | (1,980) |
| As at 1 January 2012 | 800 | 8,071 | 3 | (204) | 102 | 9,320 | 18,092 | 1,550 | 19,642 |
| Foreign currency translation differences for foreign operations | - | - | (1) | - | - | - | (1) | - | (1) |
| Share of other comprehensive income of associates and jointly controlled entity | - | - | - | - | (20) | - | (20) | - | (20) |
| Total other comprehensive income for the period | - | - | (1) | - | (20) | - | (21) | - | (21) |
| Profit for the period | - | - | - | - | - | 1,019 | 1,019 | 102 | 1,121 |
| **Total comprehensive income for the period** | - | - | (1) | - | (20) | 1,019 | 998 | 102 | 1,100 |
| Redemption of redeemable preference shares | - | - | - | - | - | - | - | (54) | (54) |
| Transfer to capital reserves | - | - | - | - | 10 | (10) | - | - | - |
| Dividends | - | - | - | - | - | - | - | (109) | (109) |
| Others | - | - | - | - | 3 | - | 3 | - | 3 |
| **Total contribution from/(distribution to) owners** | - | - | - | - | 13 | (10) | 3 | (163) | (160) |
| **Balance at 31 March 2012** | 800 | 8,071 | 2 | (204) | 95 | 10,329 | 19,093 | 1,489 | 20,582 |

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

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2012**

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| *In RM Mil* | Quarter ended 31 March 2012 | Quarter ended 31 March 2011 |
|---|---|---|
| Cash receipts from customers | 4,005 | 4,366 |
| Cash paid to suppliers and employees | (2,805) | (2,311) |
| | 1,200 | 2,055 |
| Interest income received | 42 | 38 |
| Taxation paid | (319) | (276) |
| **Cash flows generated from operating activities** | 923 | 1,817 |
| Dividend received from associates | - | 2 |
| Net cash paid resulting from acquisition of shares in subsidiaries | - | 34 |
| Purchase of property, plant and equipment | (179) | (299) |
| Proceeds from other receivables | 4 | 4 |
| Proceeds from disposal: | | |
| - Property, plant and equipment | - | 1 |
| - Securities | - | 10 |
| Proceeds from finance lease receivables | 3 | 3 |
| **Cash flows used in investing activities** | (172) | (245) |
| Share issuance expenses | - | (60) |
| Dividends paid to non-controlling interests of subsidiaries | (109) | (28) |
| Payment to non-controlling interest on redemption of shares | (54) | - |
| Drawdown of revolving credit and bankers' acceptance | - | 242 |
| Interest expenses paid to: | | |
| - PETRONAS | (39) | (53) |
| - Other (third party) | (10) | (11) |
| Repayment of: | | |
| - Term loans, notes and bonds | (93) | (48) |
| - Revolving credit and bankers' acceptance | - | (269) |
| - Finance lease liabilities | (17) | (17) |
| **Cash flows used in financing activities** | (322) | (244) |

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2012**

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

| *In RM Mil* | Quarter ended 31 March **2012** | **2011** |
|---|---|---|
| Net increase in cash and cash equivalents | 429 | 1,328 |
| Decrease in deposits restricted | 9 | 6 |
| Net foreign exchange difference | (6) | (9) |
| Cash and cash equivalents at beginning of the period | 9,266 | 7,496 |
| **Cash and cash equivalents at end of the period** | 9,698 | 8,821 |

| | | |
|---|---|---|
| **Cash and cash equivalents** | | |
| Cash and bank balances and deposits | 9,802 | 8,904 |
| Less: Deposits restricted | (104) | (83) |
| | 9,698 | 8,821 |

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

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2012**

## PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

### A1. BASIS OF PREPARATION

The Group has adopted the Malaysian Financial Reporting Standards (MFRS) framework and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* for the first time in these condensed interim financial statements.The Group has elected 1 April 2011, being the beginning date of the immediate preceding financial period, as the Group's date to transition to MFRS accordingly.

The condensed financial statements are unaudited and have been prepared in accordance with IAS 34, MFRS 134, *Interim Financial Reporting*, other than as stated below, 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 period ended 31 December 2011 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

Paragraph 20 of MFRS 134 requires the comparative statements to be presented from the immediate preceding financial year. However, the comparatives disclosed in these condensed financial statements are for the period 1 January 2011 to 31 March 2011, which is not from the immediate preceding financial year. This is because the Group changed its financial year in 2011 from 31 March to 31 December.

The period 1 January 2011 to 31 March 2011 also falls outside of the transition date to MFRS and was prepared using the previously adopted Financial Reporting Standards (FRS).

The Group is using the period 1 January 2011 to 31 March 2011 as the comparative period to allow comparable review of performance in terms of the Group's operations and business activities. To enhance comparability, the Group has adjusted the comparative period to reflect the adoption of  MFRS 3 *Business Combinations* as outlined in Note A3 (i). The remaining difference of using FRS and not MFRS for the comparative period is not material.

The effect of MFRS adoption effective from the date of transition 1 April 2011 is fully described and reconciled in Note A2, Note A3 and Appendix 1.

Within the context of these consolidated condensed 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 March 2012.

## A2. SIGNIFICANT ACCOUNTING POLICIES

The financial information presented herein has been prepared in accordance with the accounting policies expected to be used in preparing the annual consolidated financial statements for 31 December 2012 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2011.

## A3. EFFECT OF FIRST TIME ADOPTION OF MFRS

These condensed financial statements represent the Group's first application of MFRS and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

The general principle that should be applied on first-time adoption of MFRS is that accounting standards in force at the first annual reporting date that is, 31 December 2012 for the Group, should be applied retrospectively. However, MFRS 1 contains a number of exemptions which first-time adopters are permitted to apply. The Group has elected:

- to adopt MFRS 3 *Business Combinations* from 30 September 2009;
- to measure certain items of property, plant and equipment at 1 April 2011 at their fair values and use that fair values as their deemed cost at that date; and
- to deem cumulative currency translation differences to be zero at 1 April 2011.

The impact of the above elections of MFRS 1 transitional exemptions are set out below.

### i. MFRS 3 *Business Combinations*

MFRS 1 provides the option to apply MFRS 3 prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

The Group has elected to apply MFRS 3 prospectively from 30 September 2009. As such, all business combinations subsequent to 30 September 2009 have been remeasured based on the requirement of MFRS 3.

## A3. EFFECT OF FIRST TIME ADOPTION OF MFRS (continued)

### i. MFRS 3 *Business Combinations (continued)*

As a result, for business combinations after this designated date which were achieved in stages (step acquisition), the Group has remeasured previously held non-controlling equity interest in the acquiree to fair value at the acquisition date, with the resulting gain or loss recognised in profit or loss. Transactions with non-controlling equity interests are recognised in equity with no goodwill, or profit or loss recognised.

The impact of applying MFRS 3 in accounting for business combinations are as follows:

| *In RM Mil* | **Note** | **Quarter ended 31 March 2011** |
|---|---|---|
| **Consolidated statement of comprehensive income** | | |
| Administration expenses: | | |
| Decrease in amortisation | App 1(b) | 73 |
| **Adjustment to profit before taxation** | | 73 |
| Increase in tax expense | App 1(b) | (18) |
| **Adjustment to profit for the period** | | 55 |

| *In RM Mil* | **Note** | **As at 1 April 2011** | **As at 31 December 2011** |
|---|---|---|---|
| **Consolidated statement of financial position** | | | |
| Decrease in intangible assets | App 1(a) | (2,117) | (1,990) |
| Decrease in deferred tax liabilities | App 1(d)(ii) | 373 | 341 |
| **Adjustment to retained earnings** | App 1(d)(i) | (1,744) | (1,649) |

### ii. MFRS 116 *Property, Plant and Equipment*

The Group measures its property, plant and equipment under the cost model whereby the carrying amount of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Upon transition to MFRS, the Group elected to apply the optional exemption to use the fair value at the date of transition for certain items of property, plant and equipment as deemed cost. The aggregate fair value of these property plant and equipment was determined to be RM38 million compared to the carrying amount of RM456 million under MFRS.

## A3. EFFECT OF FIRST TIME ADOPTION OF MFRS (continued)

### ii. MFRS 116 *Property, Plant and Equipment (continued)*

The impact arising from the change is summarised as follows:

| *In RM Mil* | Note | As at 1 April 2011 | As at 31 December 2011 |
|---|---|---|---|
| **Consolidated statement of financial position** | | | |
| Decrease in property, plant and equipment | App 1(a) | (418) | (351) |
| Decrease in deferred tax liabilities | App 1(d)(ii) | 20 | 20 |
| **Adjustment to retained earnings** | App 1(d)(i) | (398) | (331) |

### iii. MFRS 121 *The Effect of Changes in Foreign Exchange Rates*

In preparing the financial statements of the Group, assets and liabilities of subsidiaries with functional currencies other than Ringgit Malaysia, are translated into Ringgit Malaysia at the exchange rate approximating those ruling at the reporting date. The income and expenses are translated at the average exchange rates for the year, which approximates the exchange rates at the dates of the transactions. All resulting exchange differences are taken to the foreign currency translation reserve within equity.

In accordance with the optional exemptions of MFRS 1, the amount of foreign currency translation reserve has been deemed to be zero at transition date of 1 April 2011.

The impact arising from the change is summarised as follows:

| *In RM Mil* | Note | As at 1 April 2011 | As at 31 December 2011 |
|---|---|---|---|
| **Consolidated statement of financial position** | | | |
| Increase in foreign currency translation reserve | App1(d)(i) | (3) | (3) |
| **Adjustment to retained earnings** | App 1(d)(i) | (3) | (3) |

Reconciliations and explanations of how the transition from the previous FRS to the new MFRS has affected the Group's financial position, financial performance and cash flows are set out in Appendix 1.

## A4. AUDIT QUALIFICATION

The audited financial statements of PCG and its subsidiaries for the period ended 31 December 2011 were not subject to any audit qualification.

## A5. 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.

## A6. EXCEPTIONAL ITEMS

There were no exceptional items during the period ended 31 March 2012.

## A7. 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 period ended 31 December 2011 that may have a material effect in the current financial period results.

## A8. DEBTS AND EQUITY SECURITIES

There were no material issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the period ended 31 March 2012.

## A9. SEGMENT RESULTS AND REPORTING

- Olefins and Derivatives - 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.

## A10. SEGMENT RESULTS AND REPORTING (continued)

### 10.1 Revenue

| | Quarter ended 31 March | | | | | |
|---|---|---|---|---|---|---|
| | External customers | | Inter segment | | Gross total revenue | |
| *In RM Mil* | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Olefins and Derivatives | 3,231 | 3,271 | 3 | - | 3,234 | 3,271 |
| Fertilisers and Methanol | 1,145 | 1,070 | 56 | 12 | 1,201 | 1,082 |
| Others | 13 | 9 | 9 | 6 | 22 | 15 |
| Total | 4,389 | 4,350 | 68 | 18 | 4,457 | 4,368 |

### 10.2 Profit for the period [1]

| | Quarter ended 31 March | |
|---|---|---|
| *In RM Mil* | 2012 | 2011 |
| Olefins and Derivatives | 820 | 1,139 |
| Fertilisers and Methanol | 319 | 166 |
| Others | (18) | (91) |
| Total | 1,121 | 1,214 |

[1] Included within profit for the period for Olefins and Derivatives, Fertilisers and Methanol and Others segments are depreciation and amortisation expenses amounting to RM185 million (2011: RM235 million), RM89 million (2011: RM88 million) and RM3 million (2011: RM3 million) respectively.

## A11. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment during the period under review. As at 31 March 2012, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

## A12. MATERIAL SUBSEQUENT EVENTS

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

## A13. CONTINGENCIES

There were no material contingent liabilities or contingent assets since the last consolidated statement of financial position as at 31 December 2011.

## A14. 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 March 2012 | As at 31 December 2011 |
|---|---|---|
| Property, plant and equipment: | | |
| Approved and contracted for | 3,471 | 3,583 |
| Approved but not contracted for | 439 | 511 |
| | 3,910 | 4,094 |

Included in the above is an amount of RM3,404 million relating to the development of a new world scale fertiliser plant in Sipitang, Sabah (referred to as the "SAMUR" project).

## A15. RELATED PARTIES DISCLOSURES

Significant transactions with Government related entities in addition to the related party transactions disclosed in the audited financial statements for the period ended 31 December 2011 are as follows:

| | Quarter ended 31 March | |
|---|---|---|
| *In RM Mil* | 2012 | 2011 |
| **Government related entities:** | | |
| Sales of petrochemical products | 31 | 39 |
| Purchase of electricity | (25) | (24) |

## PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS

### B1. REVIEW OF GROUP PERFORMANCE

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

| | Quarter ended 31 March | | | | | |
|---|---|---|---|---|---|---|
| | Group | | Olefins and Derivatives | | Fertilisers and Methanol | |
| *In RM Mil* | **2012** | **2011** | **2012** | **2011** | **2012** | **2011** |
| Revenue | 4,389 | 4,350 | 3,234 | 3,271 | 1,201 | 1,082 |
| Profit | 1,121 | 1,214 | 820 | 1,139 | 319 | 166 |
| EBITDA[1] | 1,619 | 1,504 | 1,155 | 1,213 | 500 | 315 |

**Group**

Group revenue was RM4.4 billion, marginally higher by RM39 million or 1%. Both sales volume and prices were comparable against the corresponding quarter.

The Group recorded improved operational performance this quarter with higher production and plant utilisation achieved in both segments. Whilst the corresponding quarter had higher level of plant maintenance activities which led to lower production, sales volume was maintained through trading activities.

With improved plant performance, gross profit grew by 21%.

However, profit for the quarter was lower by RM93 million or 8% at RM1.1 billion. This follows lower contribution from our associate and jointly controlled entity due to lower production and full utilisation of tax benefits in one of the associate companies. Tax expense was also lower in the corresponding quarter as it included the recognition of deferred tax assets in a subsidiary.

EBITDA was higher by RM115 million or 8%.

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

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

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

**Olefins and Derivatives**

The market for olefins and derivatives products was subdued this quarter compared to the corresponding quarter. Global economic uncertainty and its dampening effect on demand exerted some downward pressure on prices.

The Olefins and Derivatives business segment attained higher plant utilisation and production levels this quarter. In the corresponding quarter, there was higher level of plant maintenance activities which led to lower production. Consequently, the corresponding quarter also saw higher level of trading activities to mitigate lower production and maintain sales volume.

Overall, revenue was comparable at RM3.2 billion with slightly lower realised prices in tandem with market, negated by marginally higher sales volume.

Profit for the quarter fell by RM319 million or 28% at RM820 million following higher tax expense and lower share of profit from associates. Tax expenses in the corresponding quarter included the recognition of deferred tax assets in a subsidiary.

EBITDA decreased by RM58 million at RM1.2 billion.

**Fertilisers and Methanol**

Compared to the corresponding quarter, fertilisers and methanol market conditions were more favourable. Urea price was stronger in line with increased US and Latin American demand, and regional supply constraints. Similarly, methanol price also improved due to robust demand from China and South East Asia coupled with limited supply in the market following shutdowns and lower operating rates at several methanol producers.

The Fertilisers and Methanol business segment also recorded higher plant utilisation and production with improved plant performance. Coupled with higher prices, the segment recorded revenue growth of 11% at RM1.2 billion.

With improved spreads, profit for the period doubled at RM319 million. Similarly, EBITDA improved by 59% at RM500 million.

## B2. VARIATION OF RESULTS AGAINST THE PRECEDING QUARTER

The Group's revenue rose by 12% or RM485 million compared to the preceding quarter, driven by higher sales volume by 23% in line with improved plant performance. The higher volumes outweighed the impact of lower average product prices by 6% and foreign exchange movements.

Both segments recorded higher plant utilisations this quarter. In the preceding quarter, the Olefins and Derivatives plants were affected by weaker market demand for certain products and power interruption at one of our ethylene crackers. Higher plant utilisation for the Fertilisers and Methanol segment was supported by improving methane gas supply situation for our methanol facility.

Overall, Group profit grew by 27% at RM1.1 billion whilst EBITDA increased by 18% at RM1.6 billion.

## B3. COMMENTARY ON PROSPECTS

Moving forward, 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.

Subject to sufficient availability of methane gas supply, we expect the results of our operations for the financial year ending 31 December 2012 to be satisfactory.

### Olefins and Derivatives

In the near term, global economic uncertainty may continue to affect demand and prices for olefins and derivatives products. The cylical restocking in line with seasonal demand towards the latter half of the year may lend support to petrochemical demand in the region. Barring severe economic downturn, we expect the Olefins and Derivatives Segment to generate satisfactory results.

### Fertilisers and Methanol

The demand for fertilisers is expected to remain steady, backed by the agriculture industry. Methanol demand is expected to continue being healthy with increased usage in both the chemical and energy sectors in North East Asia. With this and subject to sufficient availability of methane supply, we expect the performance of the Fertilisers and Methanol Segment to continue to be satisfactory.

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

### B4. PROFIT FORECAST OR PROFIT GUARANTEE

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

### B5. OPERATING PROFIT

| | Quarter ended 31 March | |
|---|---|---|
| *In RM Mil* | **2012** | **2011** |
| ***Included in operating profit are the following charges:*** | | |
| Interest expense | 25 | 34 |
| Depreciation and amortisation | 277 | 326 |
| Impairment losses on trade receivables | - | 5 |
| Loss on realised foreign exchange | 16 | 10 |
| Loss on unrealised foreign exchange | 6 | 10 |
| Derivative loss | 4 | - |
| ***and credits***: | | |
| Interest income | 77 | 61 |
| Other income | 4 | (3) |
| Gain on realised foreign exchange | 14 | 13 |
| Gain on unrealised foreign exchange | 4 | 15 |
| Derivative gain | - | 4 |

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

## B6. TAX EXPENSE

| *In RM Mil* | Quarter ended 31 March 2012 | Quarter ended 31 March 2011 |
|---|---|---|
| Current tax expenses | | |
| - Current period tax | 304 | 200 |
| - Over provision in respect of prior periods | (1) | (4) |
| | 303 | 196 |
| Deferred tax expenses | | |
| - Origination and reversal of temporary differences | 45 | (44) |
| - (Over)/Under provision in respect of prior periods | (3) | 4 |
| | 42 | (40) |
| | 345 | 156 |

The Group's effective tax rates for the quarter ended 31 March 2012 and 31 March 2011 are 23.5% and 11.4% respectively.

## B7. 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.

## B8. QUOTED SECURITIES

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

## B9. STATUS OF CORPORATE PROPOSALS

Since the last audited financial statements of 31 December 2011, there is no new corporate proposal during the quarter under review.

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

## B10. 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;

| | Proposed utilisation RM Mil | Actual utilisation RM Mil | Transfer RM Mil | Balance at 31 March 2012 RM Mil | Intended timeframe for utilisation from the date of listing |
|---|---|---|---|---|---|
| Expansion of business and synergistic growth acquisitions | 2,344 | (201) | - | 2,143 | Within 5 years |
| Working capital requirement and general corporate purposes | 1,200 | - | 22* | 1,222 | Within 2 years |
| Estimated listing expenses | 96 | (74) | (22)* | - | Within 1 year |
| Total | 3,640 | (275) | - | 3,365 | |

* The unutilised balance of RM22 million allocated for estimated listing expenses has been reallocated towards working capital requirement and general corporate purposes.

## B11. BORROWINGS

The details of the Group borrowings as at 31 March 2012 are as follows:

| *In RM Mil* | As at 31 March 2012 | As at 31 December 2011 |
|---|---|---|
| **Current** | | |
| ***Secured*** | | |
| Term loans (USD) | 79 | 169 |
| Islamic financing facilities | 39 | 40 |
| | 118 | 209 |
| ***Unsecured*** | | |
| Term loans (USD) | 7 | 7 |
| Revolving credits (USD) | 16 | 16 |
| PETRONAS loans and advances | 1,920 | 1,920 |
| | 1,943 | 1,943 |
| | 2,061 | 2,152 |
| **Non-current** | | |
| ***Secured*** | | |
| Islamic financing facilities | 233 | 233 |
| | 233 | 233 |
| ***Unsecured*** | | |
| Term loans (USD) | 8 | 8 |
| | 8 | 8 |
| | 241 | 241 |
| **Total** | 2,302 | 2,393 |

## B12. DERIVATIVE FINANCIAL INSTRUMENTS

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

## 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 current quarter ended 31 March 2012.

## B14. 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 profits as at 31 March 2012 are disclosed as follows:

| *In RM Mil* | **As at 31 March 2012** | **As at 31 December 2011** |
|---|---|---|
| **Total retained profits of PCG and its subsidiaries:** | | |
| Realised | 14,306 | 13,359 |
| Unrealised | (844) | (782) |
| | 13,462 | 12,577 |
| **Total share of retained profits from associates:** | | |
| Realised | 341 | 312 |
| Unrealised | (7) | (53) |
| | 334 | 259 |
| **Total share of retained profits from jointly controlled entity:** | | |
| Realised | 90 | 95 |
| Unrealised | (20) | (21) |
| | 70 | 74 |
| Total realised and unrealised | 13,866 | 12,910 |
| Less: Consolidation adjustments | (3,537) | (3,590) |
| **Total group retained profits as per consolidated accounts** | 10,329 | 9,320 |

## B15. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

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

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2012

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

## B16. MATERIAL LITIGATION

Since the last audited financial statements of PCG and its subsidiaries for the period ended 31 December 2011, there is no pending material litigation.

## B17. EARNINGS PER SHARE

| | Quarter ended 31 March | |
|---|---|---|
| *In RM Mil* | **2012** | **2011** |
| Profit for the period attributable to shareholders of the Company | 1,019 | 986 |
| ***Earnings per share attributable to shareholders of the Company:*** | | |
| *In thousands of shares* | | |
| Number of shares issued at beginning and end of period | 8,000,000 | 8,000,000 |
| Weighted average number of shares issued | 8,000,000 | 8,000,000 |
| Earning per share (sen)* | 13 | 12 |

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

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**
Muhammad Isa Bin Othman (LS 0004695)
Kang Shew Meng (MAICSA 0778565)
Joint Secretaries

Kuala Lumpur
28 May 2012

## APPENDIX 1

### EXPLANATION OF TRANSITION TO MFRS

**a) Reconciliation of financial position**

| *In RM Mil* | Note | FRS | Effect of transition to MFRS 1 April 2011 | MFRS |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Property, plant and equipment | A3(ii) | 13,057 | (418) | 12,639 |
| Investments in associates | | 875 | - | 875 |
| Investment in jointly controlled entity | | 70 | - | 70 |
| Intangible assets | A3(i) | 2,142 | (2,117) | 25 |
| Long term receivables | | 64 | - | 64 |
| Deferred tax assets | | 623 | - | 623 |
| **TOTAL NON-CURRENT ASSETS** | | 16,831 | (2,535) | 14,296 |
| Trade and other inventories | | 1,173 | - | 1,173 |
| Trade and other receivables | | 2,308 | - | 2,308 |
| Tax recoverable | | 124 | - | 124 |
| Fund and other investments | | 10 | - | 10 |
| Cash and cash equivalents | | 8,904 | - | 8,904 |
| **TOTAL CURRENT ASSETS** | | 12,519 | - | 12,519 |
| **TOTAL ASSETS** | | 29,350 | (2,535) | 26,815 |
| **EQUITY** | | | | |
| Share capital | | 800 | - | 800 |
| Reserves | App (d)(i) | 18,778 | (2,142) | 16,636 |
| **Total equity attributable to shareholders of the Company** | | 19,578 | (2,142) | 17, 436 |
| Non-controlling interests | | 1,406 | - | 1,406 |
| **TOTAL EQUITY** | | 20,984 | (2,142) | 18,842 |
| **LIABILITIES** | | | | |
| Borrowings | | 3,282 | - | 3,282 |
| Deferred tax liabilities | App (d)(ii) | 1,638 | (393) | 1,245 |
| Other long term liabilities and provisions | | 467 | - | 467 |
| **TOTAL NON-CURRENT LIABILITIES** | | 5,387 | (393) | 4,994 |
| Trade and other payables | | 2,368 | - | 2,368 |
| Borrowings | | 407 | - | 407 |
| Taxation | | 204 | - | 204 |
| **TOTAL CURRENT LIABILITIES** | | 2,979 | - | 2,979 |
| **TOTAL LIABILITIES** | | 8,366 | (393) | 7,973 |
| **TOTAL EQUITY AND LIABILITIES** | | 29,350 | (2,535) | 26,815 |

PETRONAS CHEMICALS

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

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2012**

**APPENDIX 1 (continued)**

## EXPLANATION OF TRANSITION TO MFRS (continued)

### (a) Reconciliation of financial position (continued)

| *In RM Mil* | Note | FRS | Effect of transition to MFRS 31 December 2011 | MFRS |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Property, plant and equipment | A3(ii) | 12,646 | (351) | 12,295 |
| Investments in associates | | 651 | - | 651 |
| Investment in jointly controlled entity | | 71 | - | 71 |
| Intangible assets | A3(i) | 2,016 | (1,990) | 26 |
| Long term receivables | | 54 | - | 54 |
| Deferred tax assets | | 484 | - | 484 |
| **TOTAL NON-CURRENT ASSETS** | | 15,922 | (2,341) | 13,581 |
| Trade and other inventories | | 1,341 | - | 1,341 |
| Trade and other receivables | | 1,671 | - | 1,671 |
| Tax recoverable | | 122 | - | 122 |
| Fund and other investments | | - | - | - |
| Cash and cash equivalents | | 9,380 | - | 9,380 |
| **TOTAL CURRENT ASSETS** | | 12,514 | - | 12,514 |
| **TOTAL ASSETS** | | 28,436 | (2,341) | 26,095 |
| **EQUITY** | | | | |
| Share capital | | 800 | - | 800 |
| Reserves | App(d)(i) | 19,272 | (1,980) | 17,292 |
| **Total equity attributable to of the Company** | | 20,072 | (1,980) | 18,092 |
| Non-controlling interests | | 1,550 | - | 1,550 |
| **TOTAL EQUITY** | | 21,622 | (1,980) | 19,642 |
| **LIABILITIES** | | | | |
| Borrowings | | 241 | - | 241 |
| Deferred tax liabilities | App(d)(ii) | 1,620 | (361) | 1,259 |
| Other long term liabilities and provisions | | 430 | - | 430 |
| **TOTAL NON-CURRENT LIABILITIES** | | 2,291 | (361) | 1,930 |
| Trade and other payables | | 1,984 | - | 1,984 |
| Borrowings | | 2,152 | - | 2,152 |
| Taxation | | 387 | - | 387 |
| **TOTAL CURRENT LIABILITIES** | | 4,523 | - | 4,523 |
| **TOTAL LIABILITIES** | | 6,814 | (361) | 6,453 |
| **TOTAL EQUITY AND LIABILITIES** | | 28,436 | (2,341) | 26,095 |

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

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2012

**APPENDIX 1 (continued)**

## EXPLANATION OF TRANSITION TO MFRS (continued)

### (b) Reconciliation adjustments to the statement of comprehensive income

| *In RM Mil* | Note | FRS | Effect of MFRS 3 adoption 31 March 2011 | Adjusted balance |
|---|---|---|---|---|
| Revenue | | 4,350 | - | 4,350 |
| Cost of revenue | | (2,971) | - | (2,971) |
| **Gross profit** | | 1,379 | - | 1,379 |
| Selling and distribution expenses | | (99) | - | (99) |
| Administration expenses | A3(i) | (165) | 73 | (92) |
| Other expenses | | (31) | - | (31) |
| Other income | | 82 | - | 82 |
| **Operating profit** | | 1,166 | 73 | 1,239 |
| Financing costs | | (33) | - | (33) |
| Share of profit after tax and non-controlling interests of equity accounted associates and jointly controlled entity | | 164 | - | 164 |
| **Profit before taxation** | | 1,297 | 73 | 1,370 |
| Tax expense | A3(i) | (138) | (18) | (156) |
| **PROFIT FOR THE PERIOD** | A3(i) | 1,159 | 55 | 1,214 |
| **Other comprehensive income, net of tax** | | | | |
| Foreign currency translation differences for foreign operations | | (3) | - | (3) |
| Share of other comprehensive income of associates and jointly controlled entity | | (12) | - | (12) |
| | | (15) | - | (15) |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | 1,144 | 55 | 1,199 |

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

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2012

APPENDIX 1 (continued)

**EXPLANATION OF TRANSITION TO MFRS (continued)**

**(b) Reconciliation adjustments to the statement of comprehensive income (continued)**

| *In RM Mil* | Note | FRS | Effect of MFRS 3 adoption 31 March 2011 | Adjusted balance |
|---|---|---|---|---|
| **Profit attributable to:** | | | | |
| Owners of the Company | | 931 | 55 | 986 |
| Non-controlling interests | | 228 | - | 228 |
| **PROFIT FOR THE PERIOD** | | 1,159 | 55 | 1,214 |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the Company | | 916 | 55 | 971 |
| Non-controlling interests | | 228 | - | 228 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | 1,144 | 55 | 1,199 |
| **Earnings per share attributable to shareholders of the Company** | | | | |
| Based on weighted average number of shares issued (sen) | B17 | 12 | - | 12 |

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

QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2012

**APPENDIX 1 (continued)**

## (c) Reconciliation adjustments to the statement of cash flows

There is no difference between the statement of cash flows presented under MFRS and the statement of cash flows presented under FRS.

## (d) Notes to reconciliations

### i. Reserves

The changes that affected the reserves are as follows:

| *In RM Mil* | **Note** | **As at 1 April 2011** | **As at 31 December 2011** |
|---|---|---|---|
| **Retained earnings** | | | |
| Intangible assets | A3 (i) | (1,744) | (1,649) |
| Property, plant and equipment | A3 (ii) | (398) | (331) |
| Foreign currency translation reserve | A3 (iii) | (3) | (3) |
| **Decrease in retained earnings** | | (2,145) | (1,983) |
| **Foreign currency translation reserve** | | | |
| Retained earnings | A3 (iii) | 3 | 3 |
| **Increase in foreign currency translation reserve** | | 3 | 3 |
| **Decrease in reserves** | App 1(a) | (2,142) | (1,980) |

### ii. Deferred tax liabilities

The changes that affected the deferred tax liabilities are as follows:

| *In RM Mil* | **Note** | **As at 1 April 2011** | **As at 31 December 2011** |
|---|---|---|---|
| Intangible assets | A3 (i) | 373 | 341 |
| Property, plant and equipment | A3 (ii) | 20 | 20 |
| **Decrease in deferred tax liabilities** | App 1(a) | 393 | 361 |