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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 third quarter ended 30 September 2012 which should be read in conjunction with the accompanying explanatory notes on pages 8 to 26.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In RM Mil	Note	Individual quarter ended 30 September 2012	Individual quarter ended 30 September 2011	Cumulative quarter ended 30 September 2012	Cumulative quarter ended 30 September 2011
Revenue		3,935	4,638	12,220	12,333
Cost of revenue		(2,718)	(2,771)	(7,963)	(7,886)
Gross profit		1,217	1,867	4,257	4,447
Selling and distribution expenses		(162)	(161)	(508)	(371)
Administration expenses		(137)	(111)	(408)	(333)
Other expenses		(14)	(66)	(51)	(110)
Other income		89	165	302	345
Operating profit		993	1,694	3,592	3,978
Financing costs		(33)	(33)	(82)	(104)
Share of profit after tax and non-controlling interests of equity accounted associates and jointly controlled entity		70	104	221	383
Profit before taxation		1,030	1,765	3,731	4,257
Tax expense	B6	(235)	(439)	(882)	(850)
PROFIT FOR THE PERIOD		795	1,326	2,849	3,407
Other comprehensive income, net of tax					
Foreign currency translation differences for foreign operations		(2)	3	(2)	-
Share of other comprehensive income of associates and jointly controlled entity		(26)	39	(27)	26
		(28)	42	(29)	26
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		767	1,368	2,820	3,433

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In RM Mil	Note	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
		2012	**2011**	**2012**	**2011**
Profit attributable to:					
Owners of the Company		742	1,203	2,616	2,979
Non-controlling interests		53	123	233	428
PROFIT FOR THE PERIOD		795	1,326	2,849	3,407
Total comprehensive income attributable to:					
Owners of the Company		714	1,245	2,587	3,005
Non-controlling interests		53	123	233	428
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		767	1,368	2,820	3,433
Earnings per share attributable to shareholders of the Company					
Based on weighted average number of shares issued (sen)	B17	9	15	33	37

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 THIRD QUARTER ENDED 30 SEPTEMBER 2012

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM Mil	Note	As at 30 September 2012	As at 31 December 2011
ASSETS			
Property, plant and equipment		12,025	12,295
Investments in associates		637	651
Investment in jointly controlled entity		55	71
Intangible assets		22	26
Long term receivables		43	54
Deferred tax assets		456	484
TOTAL NON-CURRENT ASSETS		13,238	13,581
Trade and other inventories		1,309	1,341
Trade and other receivables		1,846	1,671
Tax recoverable		130	122
Cash and cash equivalents		9,079	9,380
TOTAL CURRENT ASSETS		12,364	12,514
TOTAL ASSETS		25,602	26,095
EQUITY			
Share capital		800	800
Reserves		19,245	17,292
Total equity attributable to shareholders of the Company		20,045	18,092
Non-controlling interests		1,536	1,550
TOTAL EQUITY		21,581	19,642
LIABILITIES			
Borrowings	B11	4	241
Deferred tax liabilities		1,279	1,259
Other long term liabilities and provisions		393	430
TOTAL NON-CURRENT LIABILITIES		1,676	1,930
Trade and other payables		1,951	1,984
Borrowings	B11	7	2,152
Taxation		387	387
TOTAL CURRENT LIABILITIES		2,345	4,523
TOTAL LIABILITIES		4,021	6,453
TOTAL EQUITY AND LIABILITIES		25,602	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 THIRD QUARTER ENDED 30 SEPTEMBER 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, under FRS	800	8,071	-	(204)	77	9,919	18,663	1,413	20,076
- Effect of MFRS 3 adoption[1]	-	-	-	-	-	(1,799)	(1,799)	-	(1,799)
- Other effect of transition to MFRS[1]	-	-	3	-	-	(401)	(398)	-	(398)
	800	8,071	3	(204)	77	7,719	16,466	1,413	17,879
Share of other comprehensive income of associates and jointly controlled entity	-	-	-	-	26	-	26	-	26
Total other comprehensive income for the period	-	-	-	-	26	-	26	-	26
Profit for the period	-	-	-	-	-	2,979	2,979	428	3,407
Total comprehensive income for the period	-	-	-	-	26	2,979	3,005	428	3,433
Redemption of redeemable preference shares	-	-	-	-	-	-	-	(36)	(36)
Transfer to capital reserves	-	-	-	-	11	(11)	-	-	-
Dividends	-	-	-	-	-	(1,520)	(1,520)	(244)	(1,764)
Others	-	-	-	-	(10)	3	(7)	(1)	(8)
Total contribution from/(distribution to) owners	-	-	-	-	1	(1,528)	(1,527)	(281)	(1,808)
Balance at 30 September 2011	800	8,071	3	(204)	104	9,170	17,944	1,560	19,504

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.

[1]The effect of adoption of MFRS 3 as at 1 January 2011 and other effect of transition to MFRS as at transition date of 1 April 2011 have been disclosed in the previous quarter's announcement.

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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[2]	-	-	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 difference for foreign operations	-	-	(2)	-	-	-	(2)	-	(2)
Share of other comprehensive income of associates and jointly controlled entity	-	-	-	-	(27)	-	(27)	-	(27)
Total other comprehensive income for the period	-	-	(2)	-	(27)	-	(29)	-	(29)
Profit for the period	-	-	-	-	-	2,616	2,616	233	2,849
Total comprehensive income for the period	-	-	(2)	-	(27)	2,616	2,587	233	2,820
Redemption of redeemable preference shares	-	-	-	-	-	-	-	(54)	(54)
Transfer to capital reserves	-	-	-	-	10	(10)	-	-	-
Dividends	-	-	-	-	-	(640)	(640)	(193)	(833)
Others	-	-	-	-	6	-	6	-	6
Total contribution from/(distribution to) owners	-	-	-	-	16	(650)	(634)	(247)	(881)
Balance at 30 September 2012	800	8,071	1	(204)	91	11,286	20,045	1,536	21,581

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.

[2]The effect of transition to MFRS as at 1 January 2012 / 31 December 2011 has been disclosed in the previous quarter's announcement.

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In RM Mil	**Cumulative quarter ended 30 September 2012**	**2011**
Cash receipts from customers	12,121	12,659
Cash paid to suppliers and employees	(7,847)	(7,647)
	4,274	5,012
Interest income received	217	174
Taxation paid	(830)	(627)
Cash flows generated from operating activities	3,661	4,559
Dividends received from associates	224	394
Acquisition of shares in subsidiaries net off cash acquired	-	34
Purchase of property, plant and equipment	(775)	(548)
Proceeds from disposal:		
- Property, plant and equipment	-	3
- Securities	-	10
Other long term receivables	11	10
Proceeds from finance lease receivables	9	9
Cash flows used in investing activities	(531)	(88)
Share issuance expenses	-	(60)
Dividends paid to:		
- PETRONAS	(412)	(978)
- Others (third parties)	(228)	(542)
- Non-controlling interests of subsidiaries	(193)	(274)
Payment to non-controlling interest on redemption of shares	(54)	(36)
Drawdown of revolving credit and bankers' acceptance	-	542
Interest expenses paid to:		
- PETRONAS	(85)	(108)
- Others (third parties)	(29)	(30)
Repayment of:		
- Shareholders' loan (PETRONAS)	(1,920)	(1,000)
- Islamic financing facilities	(274)	(66)
- Term loans	(163)	(138)
- Revolving credit and bankers' acceptance	(15)	(684)
- Finance lease liabilities	(51)	(51)
Cash flows used in financing activities	(3,424)	(3,425)

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(459830-K)
(Incorporated in Malaysia)

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In RM Mil	Cumulative quarter ended 30 September 2012	2011
Net (decrease)/increase in cash and cash equivalents	(294)	1,046
Decrease/(increase) in deposits restricted	114	(25)
Net foreign exchange difference	(7)	13
Cash and cash equivalents at beginning of the period	9,266	7,496
Cash and cash equivalents at end of the period	9,079	8,530

Cash and cash equivalents	2012	2011
Cash and bank balances and deposits	9,079	8,644
Less: Deposits restricted	-	(114)
	9,079	8,530

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

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 30 September 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 April 2011 to 30 September 2011 was prepared under the MFRS framework while the period 1 January 2011 to 31 March 2011 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 30 September 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) for the period 1 January 2011 to 30 September 2011. The remaining MFRS adjustments have been made for period 1 April 2011 to 30 September 2011 as outlined in note A3 (ii) and A3 (iii). The impact of using FRS and not MFRS for the comparative period for 1 January 2011 to 31 March 2011 is not material.

The effect of MFRS adoption for the comparative period 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 30 September 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 as at the date of transition on 1 April 2011 and 31 December 2011 have been disclosed in the previous quarter announcement.The impact for period ended 30 September 2011 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	Individual quarter ended 30 September 2011	Cumulative quarter ended 30 September 2011
Consolidated statement of comprehensive income			
Administration expenses:			
Decrease in amortisation	App 1(b)	42	157
Adjustment to profit before taxation		42	157
Increase in tax expense	App 1(b)	(11)	(40)
Adjustment to profit for the period		31	117

In RM Mil	Note	As at 30 September 2011
Consolidated statement of financial position		
Decrease in intangible assets	App 1(a)	(2,033)
Decrease in deferred tax liabilities	App 1(d)(ii)	352
Adjustment to retained earnings	App 1(d)(i)	(1,681)

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 RM412 million under FRS.

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	Individual quarter ended 30 September 2011	Cumulative quarter ended 30 September 2011
Consolidated statement of comprehensive income			
Cost of revenue:			
Decrease in depreciation	App 1(b)	(23)	(45)
Adjustment to profit before taxation		(23)	(45)

In RM Mil	Note	As at 30 September 2011
Consolidated statement of financial position		
Decrease in property, plant and equipment	App 1(a)	(374)
Decrease in deferred tax liabilities	App 1(d)(ii)	20
Adjustment to retained earnings	App 1(d)(i)	(354)

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.

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

iii. MFRS 121 *The Effect of Changes in Foreign Exchange Rates (continued)*

The impact arising from the change is summarised as follows:

In RM Mil	Note	As at 30 September 2011
Consolidated statement of financial position		
Increase in foreign currency translation reserve	App1(d)(i)	(3)
Adjustment to retained earnings	App 1(d)(i)	(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 30 September 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.

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

A8. DEBTS AND EQUITY SECURITIES

There were no material issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the period ended 30 September 2012.

A9. DIVIDENDS PAID

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

A10. 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.

10.1 Revenue

	Cumulative quarter ended 30 September					
	External customers		Inter segment		Gross total revenue	
In RM Mil	2012	2011	2012	2011	2012	2011
Olefins and Derivatives	8,879	9,152	5	4	8,884	9,156
Fertilisers and Methanol	3,308	3,152	172	138	3,480	3,290
Others	33	29	28	23	61	52
Total	12,220	12,333	205	165	12,425	12,498

A10. SEGMENT RESULTS AND REPORTING (continued)

10.2 Profit for the period [1]

In RM Mil	Cumulative quarter ended 30 September 2012	2011
Olefins and Derivatives	2,011	2,687
Fertilisers and Methanol	806	827
Others	32	(107)
Total	2,849	3,407

[1] Included within profit for the period for Olefins and Derivatives, Fertilisers and Methanol and Others segments are depreciation and amortisation expenses amounting to RM556 million (2011: RM581 million),RM260 million (2011: RM277 million) and RM9 million (2011: RM9 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 30 September 2012, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

A12. MATERIAL SUBSEQUENT EVENTS

On 29 October 2012, the Group announced its plan to discontinue vinyl business, as part of the Group's portfolio optimisation. The Group's VCM and PVC plants in Malaysia will continue its operations until 31 December 2012, after which decommissioning activities will commence. The decommissioning activities are expected to take place over the next two to three years.The Group will initiate a divestment process for the sale of its 93.1% interest in its PVC plant in Vietnam. As a consequence of the discontinuation, the Group is expected to record a charge of approximately RM560 million in the fourth quarter of 2012, mainly relating to provision for decommissioning and site remediation expenses, provision for contract termination dues and impairment expense.

A13. CONTINGENCIES

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

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

A14. CAPITAL COMMITMENTS

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

In RM Mil	**As at 30 September 2012**	**As at 31 December 2011**
Property, plant and equipment:		
Approved and contracted for	3,279	3,583
Approved but not contracted for	688	511
	3,967	4,094

Included in the above is an amount of RM3,171 million relating to the development of a new world scale fertiliser plant in Sipitang, Sabah (refered 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:

	Individual quarter ended 30 September		**Cumulative quarter ended 30 September**	
In RM Mil	**2012**	**2011**	**2012**	**2011**
Government related entities:				
Sales of petrochemical products	24	48	87	116
Interest income	28	28	83	61
Purchase of electricity	(24)	(24)	(73)	(69)

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENT

B1. REVIEW OF GROUP PERFORMANCE

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

	Quarter ended 30 September					
	Group		Olefins and Derivatives		Fertilisers and Methanol	
In RM Mil	2012	2011	2012	2011	2012	2011
Revenue	3,935	4,638	2,917	3,477	1,068	1,213
Profit	795	1,326	617	927	171	419
EBITDA[1]	1,248	1,897	900	1,308	361	606

The Group recorded revenue of RM3.9 billion, lower by RM703 million or 15% compared to the corresponding quarter. The lower revenue comes on the back of both lower prices and lower volumes.

Operationally, the Group's plant performance improved. However, production was constrained by feedstock limitation for the Olefins and Derivatives segment, and higher level of plant maintenance activities for the Fertilisers and Methanol segment.

The Group's profit for the quarter was lower by RM531 million or 40% at RM795 million as feedstock prices did not move in tandem with lower product prices.

EBITDA also declined by RM649 million or 34% to RM1.2 billion.

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

B1. REVIEW OF GROUP PERFORMANCE (continued)

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

Olefins and Derivatives

Olefins and derivatives market conditions were less favourable compared to the corresponding quarter. Pessimism over the global economy and lower than anticipated growth in China led to contractions in both manufacturing and trade activities.This dampened demand for olefins and its derivatives, resulting in lower prices.

The Group's Olefins and Derivatives segment recorded lower volumes this quarter despite improved plant performance as production was affected by feedstock supply constraints. This was primarily due to revamp and rejuvenation work at the supplier's gas processing plant.

With lower volumes and lower realised prices, revenue for the segment fell by RM560 million or 16% to RM2.9 billion.

Profit for the quarter was down RM310 million or 33% at RM617 million as feedstock prices did not move in tandem with lower product prices.

EBITDA declined by 31% to RM900 million.

Fertilisers and Methanol

Whilst still robust, the fertilisers and methanol market conditions and consequently, prices were weaker compared to the corresponding quarter. Urea prices was lower on the back of muted demand from key importers. In contrast, urea price in the corresponding quarter was bolstered by healthy US and Latin America demand coupled with regional supply constraints. For methanol, ample supply availability and cautiousness over demand from China, a key market for the product, led to lower prices.

The Group's Fertilisers and Methanol segment performance was constrained this quarter by maintenance activities. This included the impact from the fire incident on board a vessel at our jetty facilities in Labuan. As a result, plant utilisation and production were lower compared to corresponding quarter.

Driven by lower volumes and prices, revenue for the segment at RM1.1 billion was lower by RM145 million or 12%.

Profit for the segment declined by RM248 million or 59% to RM171 million, further compounded by higher product purchases to mitigate system shortfall and a once-off adjustment relating to amortisation expenses.

Correspondingly, EBITDA registered a 40% drop or RM245 million to RM361 million.

B1. REVIEW OF GROUP PERFORMANCE (continued)

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

	Cumulative quarter ended 30 September					
	Group		Olefins and Derivatives		Fertilisers and Methanol	
In RM Mil	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Revenue	12,220	12,333	8,884	9,156	3,479	3,290
Profit	2,849	3,407	2,011	2,687	806	827
EBITDA[(1)]	4,252	4,642	2,917	3,409	1,368	1,316

Group

Against the corresponding period, Group revenue decreased by RM113 million or 1% to RM12.2 billion. This follows lower average realised selling price whilst sales volume remained at par.

The Group achieved better operational performance driven by improved plant utilisation and production at the Olefins and Derivatives segment.

Profit for the period fell by RM558 million or 16% to RM2.8 billion with lower operating profits in line with higher feedstock prices and lower product prices, as well as lower contribution from an associate company amidst challenging market conditions.

EBITDA was lower by RM390 million or 8% at RM4.3 billion.

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

B1. REVIEW OF GROUP PERFORMANCE (continued)

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

Olefins and Derivatives

Market conditions for olefins and derivatives was weaker compared to the corresponding period. Demand for products was surpressed throughout the period as the global economy remained in the doldrums with no clear impetus for recovery.This led to notably lower product prices for most olefins and derivatives products.

Against this backdrop, the Group's Olefins and Derivatives business segment recorded higher plant utilisation and volumes with lower level of plant maintenance activities this period.

The segment recorded revenue of RM8.9 billion, lower by RM272 mil or 3% as the impact of lower prices offset the higher volumes achieved.

Profit for the period was lower by RM676 million or 25% at RM2.0 billion. This follows lower operating profits in line with higher feedstock prices and lower product prices, as well as lower contribution from an associate company amidst challenging market conditions.

EBITDA declined by RM492 million or 14% to RM2.9 billion.

Fertilisers and Methanol

Compared to the corresponding period, fertiliser and methanol market conditions were more robust with higher market prices for both urea and methanol. Urea prices were supported by healthy demand for agriculture consumption despite global economic uncertainty. Higher methanol prices was driven by tight supply in the market following shutdowns and lower operating rates at several production facilities as well as embargo on Iran cargoes.

The Group's Fertilisers and Methanol business segment recorded lower plant utilisation and volumes due to heavier plant maintenance activities during the period.

Higher prices in line with market countered the effect of lower volumes. Consequently, the segment attained revenue growth of 6% at RM3.5 billion.

Profit for the period was, however, lower by RM21 million or 3% due to higher product purchases to mitigate system shortfall as well as a once-off adjustment relating to amortisation expenses.

In contrast, EBITDA increased by RM52 million or 4% to RM1.4 billion.

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

B2. VARIATION OF RESULTS AGAINST THE PRECEDING QUARTER

The Group's revenue was comparable to the preceding quarter, increasing slightly by RM39 million or 1%, with sales volume and average product prices maintained at similar levels.

The Group recorded lower plant utilisation this quarter due to plant maintenance activities including the impact from the fire incident on board a vessel at our jetty facilities in Labuan. In addition, there were also feedstock supply limitations affecting both segments. Sales levels were maintained through sourcing of products to mitigate system shortfall.

Overall, Group profit reduced by RM138 million or 15% at RM795 million due to higher product purchases as well as a once-off adjustment relating to amortisation expenses.

EBITDA was lower by RM137 million or 10% at RM1.2 billion.

B3. COMMENTARY ON PROSPECTS

The results of the Group's 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 results for the financial year ending 31 December 2012 will be affected by the required provisions in the fourth quarter arising from the discontinuation of the Group's vinyl business. In addition, the results of the business will be subject to sufficient availability of feedstock, in particular methane gas supply.

Olefins and Derivatives

In the near term, global economic uncertainty is expected to continue to affect demand and prices for olefins and derivatives products. Cyclical restocking in line with seasonal demand towards the latter part of the year has lent some support to petrochemical demand in the region. The results of of the segment will be affected by the required provisions arising from the discontinuation of the vinyl business. Other than this and 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. Similarly, methanol demand is expected to remain healthy with increased usage in both the chemical and energy sectors in North East Asia. Against this backdrop, the performance of the Fertilisers and Methanol Segment will be subject to sufficient availability of methane supply.

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

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

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
In RM Mil	**2012**	**2011**	**2012**	**2011**
Included in operating profit are the following charges:				
Interest expense	33	33	82	104
Depreciation and amortisation	269	274	825	867
Impairment losses on trade receivables	-	-	-	5
Net loss on unrealised foreign exchange	35	-	24	-
Net derivative loss	-	28	-	34
***and credits*:**				
Interest income	84	72	241	202
Other income	4	4	13	15
Net gain on realised foreign exchange	-	15	12	18
Net gain on unrealised foreign exchange	-	37	-	49
Net derivative gain	17	-	11	-

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

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

B6. TAX EXPENSE

In RM Mil	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2012	**2011**	**2012**	**2011**
Current tax expenses				
- Current period tax	251	339	843	769
- (Over)/underprovision in respect of prior periods	(6)	4	(9)	-
	245	343	834	769
Deferred tax expenses				
- Origination and reversal of temporary differences	(10)	103	46	85
- (Over)/underprovision in respect of prior periods	-	(7)	2	(4)
	(10)	96	48	81
	235	439	882	850

The Group's effective tax rates for the 9 months period ended 30 September 2012 and 30 September 2011 are 23.6% and 20.0% 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

There was no new corporate proposal during the quarter under review since the last audited financial statements of 31 December 2011.

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 30 September 2012 RM Mil	Intended timeframe for utilisation from the date of listing
Expansion of business and synergistic growth acquisitions	2,344	(430)	-	1,914	Within 5 years
Working capital requirement and general corporate purposes	1,200	-	21*	1,221	Within 2 years
Estimated listing expenses	96	(75)	(21)*	-	Within 1 year
Total	3,640	(505)	-	3,135	

* The unutilised balance of RM21 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 30 September 2012 are as follows:

In RM Mil	As at 30 September 2012	As at 31 December 2011
Current		
Secured		
Term loans (USD)	-	169
Islamic financing facilities	-	40
	-	209
Unsecured		
Term loans (USD)	7	7
Revolving credits (USD)	-	16
PETRONAS loans and advances	-	1,920
	7	1,943
	7	2,152
Non-current		
Secured		
Islamic financing facilities	-	233
Unsecured		
Term loans (USD)	4	8
	4	241
Total	11	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 30 September 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 30 September 2012 are disclosed as follows:

In RM Mil	**As at 30 September 2012**	**As at 31 December 2011**
Total retained profits of PCG and its subsidiaries:		
Realised	15,465	13,359
Unrealised	(792)	(782)
	14,673	12,577
Total share of retained profits from associates:		
Realised	276	312
Unrealised	(15)	(53)
	261	259
Total share of retained profits from jointly controlled entity:		
Realised	86	95
Unrealised	(21)	(21)
	65	74
Total realised and unrealised	14,999	12,910
Less: Consolidation adjustments	(3,713)	(3,590)
Total group retained profits as per consolidated accounts	11,286	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.

B16. MATERIAL LITIGATION

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

B17. EARNINGS PER SHARE

In RM Mil	Individual quarter ended 30 September 2012	2011	Cumulative quarter ended 30 September 2012	2011
Profit for the period attributable to shareholders of the Company	742	1,203	2,616	2,979
Earnings per share attributable to shareholders of the Company:				
In thousands of shares				
Number of shares issued at	8,000,000	8,000,000	8,000,000	8,000,000
Weighted average number of shares issued	8,000,000	8,000,000	8,000,000	8,000,000
Earning per share (sen)*	9	15	33	37

** 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
Noryati Mohd Noor (LS 0008877)
Kang Shew Meng (MAICSA 0778565)
Joint Secretaries

Kuala Lumpur
27 November 2012

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

APPENDIX 1

EXPLANATION OF TRANSITION TO MFRS

(a) Reconciliation of financial position

In RM Mil	Note	FRS	Effect of transition to MFRS	Adjusted balance
		As at 30 September 2011		
ASSETS				
Property, plant and equipment	A3(ii)	12,697	(374)	12,323
Investments in associates		728	-	728
Investment in jointly controlled entity		82	-	82
Intangible assets	A3(i)	2,056	(2,033)	23
Long term receivables		58	-	58
Deferred tax assets		532	-	532
TOTAL NON-CURRENT ASSETS		16,153	(2,407)	13,746
Trade and other inventories		1,306	-	1,306
Trade and other receivables		2,117	-	2,117
Tax recoverable		114	-	114
Fund and other investments		10	-	10
Cash and cash equivalents		8,644	-	8,644
TOTAL CURRENT ASSETS		12,191	-	12,191
TOTAL ASSETS		28,344	(2,407)	25,937
EQUITY				
Share capital		800	-	800
Reserves	App (d)(i)	19,179	(2,035)	17,144
Total equity attributable to shareholders of the Company		19,979	(2,035)	17,944
Non-controlling interests		1,560	-	1,560
TOTAL EQUITY		21,539	(2,035)	19,504
LIABILITIES				
Borrowings		245	-	245
Deferred tax liabilities	App (d)(ii)	1,645	(372)	1,273
Other long term liabilities and provisions		456	-	456
TOTAL NON-CURRENT LIABILITIES		2,346	(372)	1,974
Trade and other payables		1,896	-	1,896
Borrowings		2,181	-	2,181
Taxation		382	-	382
TOTAL CURRENT LIABILITIES		4,459	-	4,459
TOTAL LIABILITIES		6,805	(372)	6,433
TOTAL EQUITY AND LIABILITIES		28,344	(2,407)	25,937

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

APPENDIX 1

EXPLANATION OF TRANSITION TO MFRS (continued)

(b) Reconciliation adjustments to the statement of comprehensive income

		FRS	Effect of transition to MFRS	Adjusted balance
In RM Mil	**Note**	**Quarter ended 30 September 2011**		
Revenue		4,638	-	4,638
Cost of revenue	A3(ii)	(2,794)	23	(2,771)
Gross profit		1,844	23	1,867
Selling and distribution expenses		(161)	-	(161)
Administration expenses	A3(i)	(153)	42	(111)
Other expenses		(66)	-	(66)
Other income		165	-	165
Operating profit		1,629	65	1,694
Financing costs		(33)	-	(33)
Share of profit after tax and non-controlling interests of equity accounted associates and jointly controlled entity		104	-	104
Profit before taxation		1,700	65	1,765
Tax expense	A3(i)	(428)	(11)	(439)
PROFIT FOR THE PERIOD		1,272	54	1,326
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		39	-	39
		42	-	42
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,314	54	1,368

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 transition to MFRS	Adjusted balance
		Quarter ended 30 September 2011		
Profit attributable to:				
Owners of the Company		1,149	54	1,203
Non-controlling interests		123	-	123
PROFIT FOR THE PERIOD		1,272	54	1,326
Total comprehensive income attributable to:				
Owners of the Company		1,191	54	1,245
Non-controlling interests		123	-	123
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,314	54	1,368
Earnings per share attributable to shareholders of the Company				
Based on weighted average number of shares issued (sen)	B17	14	1	15

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012

APPENDIX 1

EXPLANATION OF TRANSITION TO MFRS (continued)

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

In RM Mil	Note	FRS	Effect of transition to MFRS	Adjusted balance
		Cumulative Quarter ended 30 September 2011		
Revenue		12,333	-	12,333
Cost of revenue	A3(ii)	(7,931)	45	(7,886)
Gross profit		4,402	45	4,447
Selling and distribution expenses		(371)	-	(371)
Administration expenses	A3(i)	(490)	157	(333)
Other expenses		(110)	-	(110)
Other income		345	-	345
Operating profit		3,776	202	3,978
Financing costs		(104)	-	(104)
Share of profit after tax and non-controlling interests of equity accounted associates and jointly controlled entity		383	-	383
Profit before taxation		4,055	202	4,257
Tax expense	A3(i)	(810)	(40)	(850)
PROFIT FOR THE PERIOD		3,245	162	3,407
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations		-	-	-
Share of other comprehensive income of associates and jointly controlled entity		26	-	26
		26	-	26
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,271	162	3,433

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 transition to MFRS**	**Adjusted balance**
		Cumulative Quarter ended 30 September 2011		
Profit attributable to:				
Owners of the Company		2,817	162	2,979
Non-controlling interests		428	-	428
PROFIT FOR THE PERIOD		3,245	162	3,407
Total comprehensive income attributable to:				
Owners of the Company		2,843	162	3,005
Non-controlling interests		428	-	428
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		3,271	162	3,433
Earnings per share attributable to shareholders of the Company				
Based on weighted average number of shares issued (sen)	B17	35	2	37

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 30 September 2011**
Retained earnings		
Intangible assets	A3 (i)	(1,681)
Property, plant and equipment	A3 (ii)	(354)
Foreign currency translation reserve	A3 (iii)	(3)
Decrease inretainedearnings		(2,038)
Foreign currency translation reserve		
Retained earnings	A3 (iii)	3
Increase in foreign currency translation reserve		3
Decrease in reserves	App 1(a)	(2,035)

ii. Deferred tax liabilities

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

In RM Mil	**Note**	**As at 30 September 2011**
Intangible assets	A3 (i)	352
Property, plant and equipment	A3 (ii)	20
Decrease in deferred tax liabilities	App 1(a)	372