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

QUARTERLY REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 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 quarter and year ended 31 December 2012 which should be read in conjunction with the accompanying explanatory notes on pages 8 to 26.

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

		Individual quarter ended 31 December		Year ended 31 December	
In RM Mil	**Note**	**2012**	**2011**	**2012**	**2011**
Revenue		4,379	3,904	16,599	16,237
Cost of revenue		(2,972)	(2,539)	(10,935)	(10,425)
Gross profit		1,407	1,365	5,664	5,812
Selling and distribution expenses		(168)	(138)	(676)	(509)
Administration expenses		(150)	(112)	(558)	(445)
Other expenses		(408)	(17)	(459)	(127)
Other income		73	78	375	423
Operating profit		754	1,176	4,346	5,154
Financing costs		-	(26)	(82)	(130)
Share of profit after tax and non-controlling interests of equity accounted associates and jointly controlled entity		65	54	286	437
Profit before taxation		819	1,204	4,550	5,461
Tax expense	B6	169	(324)	(713)	(1,173)
PROFIT FOR THE PERIOD		988	880	3,837	4,288
Other comprehensive income/(expense)					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		-	-	(2)	-
Share of other comprehensive income of equity accounted associates and jointly controlled entity		4	(3)	(23)	23
		4	(3)	(25)	23
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		992	877	3,812	4,311

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

In RM Mil	Note	Individual quarter ended 31 December 2012	Individual quarter ended 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2011
Profit attributable to:					
Owners of the Company		902	789	3,518	3,769
Non-controlling interests		86	91	319	519
PROFIT FOR THE PERIOD		988	880	3,837	4,288
Total comprehensive income attributable to:					
Owners of the Company		906	786	3,493	3,792
Non-controlling interests		86	91	319	519
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		992	877	3,812	4,311
Basic earnings per share attributable to shareholders of the Company					
Based on ordinary shares issued (sen)	B18	11	10	44	47

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

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QUARTERLY REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2012

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM Mil	**Note**	**As at 31 December 2012**	**As at 31 December 2011**
ASSETS			
Property, plant and equipment		11,697	12,295
Investments in associates		613	651
Investment in jointly controlled entity		55	71
Intangible assets		12	26
Long term receivables		28	54
Deferred tax assets		661	484
TOTAL NON-CURRENT ASSETS		13,066	13,581
Trade and other inventories		1,237	1,341
Trade and other receivables		2,036	1,671
Current tax assets		119	122
Cash and cash equivalents		9,307	9,380
		12,699	12,514
Assets classified as held for sale		155	-
TOTAL CURRENT ASSETS		12,854	12,514
TOTAL ASSETS		25,920	26,095
EQUITY			
Share capital		800	800
Reserves		19,511	17,292
Total equity attributable to shareholders of the Company		20,311	18,092
Non-controlling interests		1,595	1,550
TOTAL EQUITY		21,906	19,642
LIABILITIES			
Borrowings	B11	-	241
Deferred tax liabilities		1,040	1,259
Other long term liabilities and provisions		576	430
TOTAL NON-CURRENT LIABILITIES		1,616	1,930
Trade and other payables		2,161	1,984
Borrowings	B11	-	2,152
Current tax payables		222	387
		2,383	4,523
Liabilities classified as held for sale		15	-
TOTAL CURRENT LIABILITIES		2,398	4,523
TOTAL LIABILITIES		4,014	6,453
TOTAL EQUITY AND LIABILITIES		25,920	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.

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QUARTERLY REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 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 equity accounted associates and jointly controlled entity	-	-	-	-	23	-	23	-	23
Total other comprehensive income for the period	-	-	-	-	23	-	23	-	23
Profit for the period	-	-	-	-	-	3,769	3,769	519	4,288
Total comprehensive income for the period	-	-	-	-	23	3,769	3,792	519	4,311
Redemption of Redeemable Preference Shares by a subsidiary	-	-	-	-	11	(11)	-	(36)	(36)
Dividends to owners of the Company	-	-	-	-	-	(2,160)	(2,160)	-	(2,160)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(344)	(344)
Others	-	-	-	-	(9)	3	(6)	(2)	(8)
Total contribution from/(distribution to) owners	-	-	-	-	2	(2,168)	(2,166)	(382)	(2,548)
Balance at 31 December 2011	800	8,071	3	(204)	102	9,320	18,092	1,550	19,642

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.

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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)
	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 equity accounted associates and jointly controlled entity	-	-	-	-	(23)	-	(23)	-	(23)
Total other comprehensive income for the period	-	-	(2)	-	(23)	-	(25)	-	(25)
Profit for the period	-	-	-	-	-	3,518	3,518	319	3,837
Total comprehensive income for the period	-	-	(2)	-	(23)	3,518	3,493	319	3,812
Redemption of Redeemable Preference Shares by a subsidiary	-	-	-	-	10	(10)	-	(54)	(54)
Dividends to owners of the Company	-	-	-	-	-	(1,280)	(1,280)	-	(1,280)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(220)	(220)
Others	-	-	-	-	6	-	6	-	6
Total contribution from/(distribution to) owners	-	-	-	-	16	(1,290)	(1,274)	(274)	(1,548)
Balance at 31 December 2012	800	8,071	1	(204)	95	11,548	20,311	1,595	21,906

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.

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QUARTERLY REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2012

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
In RM Mil	**2012**	**2011**
Cash receipts from customers	16,243	17,014
Cash paid to suppliers and employees	(10,650)	(10,236)
	5,593	6,778
Interest income received	304	258
Taxation paid	(1,257)	(871)
Cash flows generated from operating activities	4,640	6,165
Dividends received from associates	348	534
Acquisition of shares in subsidiaries net off cash acquired	-	34
Purchase of property, plant and equipment	(964)	(723)
Proceeds from disposal:		
- Property, plant and equipment	-	1
- Securities	-	20
Proceeds from finance lease receivables	12	12
Cash flows used in investing activities	(604)	(122)
Share issuance expenses	-	(60)
Dividends paid to:		
- PETRONAS	(824)	(1,390)
- Others (third parties)	(456)	(770)
- Non-controlling interests of subsidiaries	(220)	(374)
Payment to non-controlling interest on redemption of shares	(54)	(36)
Drawdown of revolving credit and bankers' acceptance	-	542
Interest expenses paid to:		
- PETRONAS	(76)	(108)
- Others (third parties)	(28)	(35)
Repayment of:		
- Shareholder loan (PETRONAS)	(1,920)	(1,000)
- Islamic financing facilities	(274)	(66)
- Term loans	(166)	(141)
- Revolving credit and bankers' acceptance	(16)	(712)
- Finance lease liabilities	(68)	(68)
Cash flows used in financing activities	(4,102)	(4,218)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In RM Mil	Year ended 31 December 2012	Year ended 31 December 2011
Net (decrease)/increase in cash and cash equivalents	(66)	1,825
Decrease/(increase) in deposits restricted	114	(25)
Net foreign exchange difference	(7)	(30)
Cash and cash equivalents at beginning of the year	9,266	7,496
Cash and cash equivalents at end of the year	9,307	9,266

	2012	2011
Cash and cash equivalents		
Cash and bank balances and deposits	9,307	9,380
Less: Deposits restricted	-	(114)
	9,307	9,266

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 QUARTER AND YEAR ENDED 31 DECEMBER 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 December 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 31 December 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 31 December 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 31 December 2011. The remaining MFRS adjustments have been made for period 1 April 2011 to 31 December 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.

The Group has early adopted the amendments to MFRS 101, *Presentation of Financial Statements* which are effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation format of the statement of profit or loss and other comprehensive income.

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 year ended 31 December 2012.

A2. SIGNIFICANT ACCOUNTING POLICIES

The financial information presented herein has been prepared in accordance with the accounting policies 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 31 December 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 31 December 2011	Year ended 31 December 2011
Consolidated statement of comprehensive income			
Administration expenses:			
Decrease in amortisation	App 1(b)	42	199
Adjustment to profit before taxation		42	199
Increase in tax expense	App 1(b)	(11)	(50)
Adjustment to profit for the period		31	149

In RM Mil	Note	As at 31 December 2011
Consolidated statement of financial position		
Decrease in intangible assets	App 1(a)	(1,990)
Decrease in deferred tax liabilities	App 1(d)(ii)	341
Adjustment to retained earnings	App 1(d)(i)	(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 RM412 million under FRS.

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

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 31 December 2011	Year ended 31 December 2011
Consolidated statement of comprehensive income			
Cost of revenue:			
Decrease in depreciation	App 1(b)	(23)	(68)
Adjustment to profit before taxation		(23)	(68)

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

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 31 December 2011**
Consolidated statement of financial position		
Increase in foreign currency translation reserve	App 1(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 31 December 2012, except as those disclosed under Note A12.

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 year results.

A8. DEBTS AND EQUITY SECURITIES

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

A9. DIVIDENDS PAID

During the financial year, the Company paid:

(i) A single tier final dividend of 8 sen per ordinary share amounting to RM640 million in respect of the financial period ended 31 December 2011 on 26 June 2012.

(ii) A single tier interim dividend of 8 sen per ordinary share amounting to RM640 million in respect of the financial year ended 31 December 2012 on 16 October 2012.

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

	Year ended 31 December					
	External customers		**Inter segment**		**Gross total revenue**	
In RM Mil	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Olefins and Derivatives	11,958	12,075	8	6	11,966	12,081
Fertilisers and Methanol	4,598	4,124	241	211	4,839	4,335
Others	43	38	37	30	80	68
Total	16,599	16,237	286	247	16,885	16,484

A10. SEGMENT RESULTS AND REPORTING (continued)

10.2 Profit for the period [(1)]

In RM Mil	Year ended 31 December 2012	Year ended 31 December 2011
Olefins and Derivatives	2,081	3,312
Fertilisers and Methanol	1,696	1,118
Others	60	(142)
Total	3,837	4,288

[(1)] Included within profit for the period for Olefins and Derivatives, Fertilisers and Methanol and Others segments are depreciation and amortisation expenses amounting to RM751 million (2011: RM833 million), RM355 million (2011: RM357 million) and RM12 million (2011: RM12 million) respectively.

A11. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

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

A12. MATERIAL SIGNIFICANT EVENTS

During the financial year, the Group announced its plan to discontinue its vinyl business as part of portfolio optimisation. Subsequently in January 2013, the Group ceased operations of its vinyl chloride monomer ("VCM") and polyvinyl chloride ("PVC") plants in Kertih.

The major associated costs are as follows:

In RM Mil	As at 31 December 2012
Provision for plant decommissioning	295
Provision for onerous contracts	80
Derecognition of lease liabilities	(67)
Impairment losses	
- property, plant and equipment	132
- inventories	50
Total	490

In relation to the above, the Group is also undertaking a divestment process of its vinyl business in Vietnam. The related assets and liabilities have been reclassified as held for sale under the statement of financial position.

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 December 2012	As at 31 December 2011
Property, plant and equipment:		
Approved and contracted for	3,786	3,583
Approved but not contracted for	904	511
	4,690	4,094

Included in the above is an amount of RM3,660 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 31 December		Year ended 31 December	
In RM Mil	2012	2011	2012	2011
Government related entities:				
Sales of petrochemical products	38	51	125	167
Interest income	13	21	96	82
Purchase of electricity	(24)	(20)	(97)	(89)

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 31 December					
	Group		Olefins and Derivatives		Fertilisers and Methanol	
In RM Mil	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Revenue	4,379	3,904	3,081	2,925	1,360	1,045
Profit	988	880	70	623	890	291
EBITDA[1]	1,526	1,434	947	1,019	570	443

The Group achieved revenue of RM4.4 billion, higher by RM475 million or 12% compared to the corresponding quarter on the back of higher volume.

Group operational performance was stronger as a result of improved plant performance and gas supply availability. Consequently, production was higher, particularly for the Fertilisers and Methanol segment.

Profit for the quarter rose by RM108 million or 12% to RM988 million. During the quarter, the Group recognised once-off expenses amounting to RM490 million relating to discontinuation of its vinyl business. The Group also benefited from positive tax incentive impact of RM432 million at one of its subsidiary. Excluding the expenses and tax impact, profit would be higher by RM166 million at RM1,046 million driven by strong plant performance and higher volumes.

EBITDA increased by RM92 million or 6% to RM1.5 billion.

[1] *EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of associates and jointly controlled entity 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. Despite higher prices driven by cost-push factors, demand was lacklustre in line with global economic slowdown. Margins were also thinner as producers had to absorb the higher costs amidst softening demand.

The Group's Olefins and Derivatives segment saw improved operational results, driven by higher plant performance compared to the corresponding quarter. However, this did not translate into higher sales due to inventory build-up in preparation for cessation of vinyl business.

Nevertheless, the segment achieved higher revenue by RM156 million or 5% to RM3.1 billion on the back of higher prices in line with market.

Profit for the quarter fell by RM553 million or 89% to RM70 million with the recognition of once-off expenses amounting to RM490 million on discontinuation of vinyl business. Excluding the once-off expenses, profit would only be lower by 10% at RM560 million due to narrowing spreads.

EBITDA declined by RM72 mil or 7% to RM947 million.

Fertilisers and Methanol

Compared to the corresponding quarter, the fertilisers and methanol markets were less robust. Urea prices were lower with demand easing amidst high inventory levels. Methanol prices were also on a downtrend as lower than anticipated growth in key markets such as China adversely affected end-user demand. Only ammonia prices were higher on the back of supply constraints in the market amidst healthy demand.

The Group's Fertilisers and Methanol segment recorded stronger operational performance with improved feedstock supply. Plant utilisation and production were higher compared to corresponding quarter.

Driven by higher volumes, revenue for the segment increased by RM315 mil or 30% at RM1.4 billion despite lower prices.

The segment posted profit of RM890 million, triple the corresponding quarter results. During the quarter, the segment recognised positive tax incentive impact of RM432 million. Excluding this once-off effect, profit would be higher by RM167 million or 57% at RM458 million.

Similarly, EBITDA grew to RM570 million, higher by RM127 million or 29%.

B1. REVIEW OF GROUP PERFORMANCE (continued)

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

	Year ended 31 December					
	Group		Olefins and Derivatives		Fertilisers and Methanol	
In RM Mil	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Revenue	16,599	16,237	11,966	12,081	4,839	4,335
Profit	3,837	4,288	2,081	3,311	1,696	1,118
EBITDA[(1)]	5,778	6,076	3,864	4,428	1,938	1,759

Group

Against the corresponding period, Group revenue rose slightly by RM362 million or 2% to RM16.6 billion following higher sales volume.

The Group achieved better operational performance driven by lower level of maintenance activities at Olefins and Derivatives segment and improved gas supply availability at Fertilisers and Methanol segment.

Group profit for the period fell by RM451 million or 11% to RM3.8 billion. Excluding once-off discontinuation expenses for the vinyl business of RM490 million and positive tax incentive impact at one of the Group's subsidiary of RM432 million, profit would be lower by RM393 million or 9% at RM3,895 million. This follows narrower product spreads and lower contribution from an associate company amidst challenging market condition.

EBITDA fell by RM298 million or 5% at RM5.8 billion.

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

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

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. The overall slowdown and uncertainty over the global economy dampened demand and subsequently, depressed prices.

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

However, revenue for the segment was slightly lower by RM115 million or 1% at RM12 billion as the impact of lower prices offset the higher volumes achieved.

Profit for the period was lower by RM1.2 billion or 37% at RM2.1 billion. This follows lower operating profit as feedstock price did not move in tandem with product prices. The segment's profit was also affected by once-off discontinuation expenses for the vinyl business and lower contribution from an associate company amidst challenging market conditions.

EBITDA declined by RM564 million or 13% to RM3.9 billion.

Fertilisers and Methanol

In the current period, the fertiliser and methanol market conditions were mixed. Supply disruption at major exporters led to higher ammonia prices whilst methanol prices soared on the back of supply constraints and higher demand from methanol users. However, urea price fell amidst ample supply with additional capacities coming onstream during the year.

The Group's Fertilisers and Methanol business segment saw lower level of external limitations with improved gas supply availability this period. Consequently, the segment achieved higher production level.

With higher product prices and volume, revenue grew by 12% or RM504 million at RM4.8 billion.

Profit for the period was significantly higher by RM578 million or 52% at RM1.7 billion due to improved plant performance and the positive tax incentive impact amounting to RM432 million.

EBITDA increased by RM179 million or 10% to RM1.9 billion.

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

B2. VARIATION OF RESULTS AGAINST THE PRECEDING QUARTER

The Group's revenue rose compared to the preceding quarter by RM444 million or 11%, mainly due to higher sales volume attained. Product prices also increased slightly by 3%.

The improvement in sales volume was driven by lower level of plant maintenance activities and improved feedstock supply across both segments.

Overall, Group profit increased by RM193 million or 24% at RM988 million.

EBITDA was higher by RM278 million or 22% at RM1.5 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.

Subject to sufficient availability of feedstock, we expect that the results of our operations for the next financial year ending 31 December 2013 to be satisfactory.

Olefins and Derivatives

Demand for olefins and derivatives products is anticipated to continue outstripping supply, driven by economic growth in key markets of Asia Pacific. In the near term, the level of prices and demand may be affected by continuing economic uncertainties in Europe and US, and its impact on GDP growth in Asia-Pacific, particularly China. Barring severe economic downturn, we expect the Olefins and Derivatives Segment to generate satisfactory results.

Fertilisers and Methanol

Global demand for fertilisers is driven by the agriculture industry and should remain steady, backed by world population growth. Demand for methanol will likely remain healthy in line with anticipated economic growth in key markets. With this and subject to sufficient availability of methane supply, we expect the performance of the Fertilisers and Methanol Segment 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

	Individual quarter ended 31 December		Year ended 31 December	
In RM Mil	**2012**	**2011**	**2012**	**2011**
Included in operating profit are the following charges:				
Interest expense	-	26	82	131
Depreciation and amortisation	292	336	1,118	1,203
Impairment losses on:				
- property, plant and equipment	132	5	132	5
- inventories	58	-	58	-
Net loss on foreign exchange	-	7	45	74
Net derivative loss	1	-	1	8
and credits:				
Interest income	67	78	307	279
Other income	7	20	20	34
Net gain on foreign exchange	4	-	39	114
Net derivative gain	-	27	10	-
Reversal of finance lease liabilities	67	-	67	-

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 31 December		Year ended 31 December	
	2012	**2011**	**2012**	**2011**
Current tax expenses				
- Current period tax	283	311	1,126	1,079
- Over provision in respect of prior years/periods	(8)	(20)	(17)	(20)
	275	291	1,109	1,059
Deferred tax expenses				
- Origination and reversal of temporary differences	(495)	53	(449)	138
- Under/(Over) provision in respect of prior years/ periods	51	(20)	53	(24)
	(444)	33	(396)	114
	(169)	324	713	1,173

The Group's effective tax rates for the year ended 31 December 2012 and year ended 31 December 2011 are 15.7% and 21.5% respectively.

The lower effective tax rates as compared to statutory tax rates of 25% were due to the recognition of deferred tax assets arising from tax incentives received by one of the subsidiaries during the year.

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 year under review.

B8. QUOTED SECURITIES

There were no material dealings in quoted securities during the financial year 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.

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 is as follows:

	Proposed utilisation RM Mil	Actual utilisation RM Mil	Transfer RM Mil	Balance at 31 December 2012 RM Mil	Intended timeframe for utilisation from the date of listing
Expansion of business and synergistic growth acquisitions	2,344	(698)	1,221	2,867	Within 5 years
Working capital requirement and general corporate purposes	1,200	-	(1,200)*	-	Within 2 years
Estimated listing expenses	96	(75)	(21)*	-	Within 1 year
Total	3,640	(773)	-	2,867	

* The unutilised balance for working capital requirement of RM1,200 million and listing expenses of RM21 million have been reallocated towards business expansion and synergistic growth acquisitions.

B11. BORROWINGS

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

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

In RM Mil	**As at 31 December 2012**	**As at 31 December 2011**
Total retained profits of the Group:		
Realised	15,423	13,359
Unrealised	(386)	(782)
	15,037	12,577
Total share of retained profits from associates:		
Realised	264	312
Unrealised	(21)	(53)
	243	259
Total share of retained profits from jointly controlled entity:		
Realised	77	95
Unrealised	(16)	(21)
	61	74
Total realised and unrealised	15,341	12,910
Less: Consolidation adjustments	(3,793)	(3,590)
Total group retained profits as per consolidated account	11,548	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.

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

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. DIVIDENDS

The Directors propose a single tier final dividend of 14 sen per ordinary share amounting to RM1,120 million for shareholders' approval at the forthcoming Annual General Meeting, payable on a date to be announced later.

B18. BASIC EARNINGS PER SHARE

	Individual quarter ended 31 December		Year ended 31 December	
In RM Mil	**2012**	**2011**	**2012**	**2011**
Profit for the period attributable to shareholders of the Company	902	789	3,518	3,769
Earnings per share attributable to shareholders of the Company:				
In thousands of shares				
Number of ordinary shares issued	8,000,000	8,000,000	8,000,000	8,000,000
Basic earnings per share (sen)	11	10	44	47

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
25 February 2013

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 31 December 2011		
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 1(d)(i)	19,272	(1,980)	17,292
Total equity attributable to shareholders 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 1(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

APPENDIX 1 (continued)

EXPLANATION OF TRANSITION TO MFRS (continued)

(b) Reconciliation adjustments to the statement of profit or loss and other comprehensive income

In RM Mil	Note	FRS	Effect of transition to MFRS	Adjusted balance
		Quarter ended 31 December 2011		
Revenue		3,904	-	3,904
Cost of revenue	A3(ii)	(2,562)	23	(2,539)
Gross profit		1,342	23	1,365
Selling and distribution expenses		(138)	-	(138)
Administration expenses	A3(i)	(154)	42	(112)
Other expenses		(17)	-	(17)
Other income		78	-	78
Operating profit		1,111	65	1,176
Financing costs		(26)	-	(26)
Share of profit after tax and non-controlling interests of equity accounted associates and jointly controlled entity		54	-	54
Profit before taxation		1,139	65	1,204
Tax expense	A3(i)	(313)	(11)	(324)
PROFIT FOR THE PERIOD		826	54	880
Other comprehensive expense				
Items that may be reclassified subsequently to profit or loss				
Share of other comprehensive income of associates and jointly controlled entity		(3)	-	(3)
		(3)	-	(3)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		823	54	877

APPENDIX 1 (continued)

EXPLANATION OF TRANSITION TO MFRS (continued)

(b) Reconciliation adjustments to the statement of profit or loss and other comprehensive income (continued)

In RM Mil	Note	FRS	Effect of transition to MFRS	Adjusted balance
		Quarter ended 31 December 2011		
Profit attributable to:				
Owners of the Company		735	54	789
Non-controlling interests		91	-	91
PROFIT FOR THE PERIOD		826	54	880
Total comprehensive income attributable to:				
Owners of the Company		732	54	786
Non-controlling interests		91	-	91
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		823	54	877
Basic earnings per share attributable to shareholders of the Company				
Based on ordinary shares issued (sen)	B18	9	1	10

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

QUARTERLY REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2012

APPENDIX 1 (continued)

EXPLANATION OF TRANSITION TO MFRS (continued)

(b) Reconciliation adjustments to the statement of profit or loss and other comprehensive income (continued)

In RM Mil	Note	FRS	Effect of transition to MFRS	Adjusted balance
		Year ended 31 December 2011		
Revenue		16,237	-	16,237
Cost of revenue	A3(ii)	(10,493)	68	(10,425)
Gross profit		5,744	68	5,812
Selling and distribution expenses		(509)	-	(509)
Administration expenses	A3(i)	(644)	199	(445)
Other expenses		(127)	-	(127)
Other income		423	-	423
Operating profit		4,887	267	5,154
Financing costs		(130)	-	(130)
Share of profit after tax and non-controlling interests of equity accounted associates and jointly controlled entity		437	-	437
Profit before taxation		5,194	267	5,461
Tax expense	A3(i)	(1,123)	(50)	(1,173)
PROFIT FOR THE PERIOD		4,071	217	4,288
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Share of other comprehensive income of associates and jointly controlled entity		23	-	23
		23	-	23
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		4,094	217	4,311

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

QUARTERLY REPORT FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2012

APPENDIX 1 (continued)

EXPLANATION OF TRANSITION TO MFRS (continued)

(b) Reconciliation adjustments to the statement of profit or loss and other comprehensive income (continued)

In RM Mil	Note	FRS	Effect of transition to MFRS	Adjusted balance
		Year ended 31 December 2011		
Profit attributable to:				
Owners of the Company		3,552	217	3,769
Non-controlling interests		519	-	519
PROFIT FOR THE PERIOD		4,071	217	4,288
Total comprehensive income attributable to:				
Owners of the Company		3,575	217	3,792
Non-controlling interests		519	-	519
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		4,094	217	4,311
Basic earnings per share attributable to shareholders of the Company				
Based on ordinary shares issued (sen)	B18	44	3	47

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 31 December 2011**
Retained earnings		
Intangible assets	A3 (i)	(1,649)
Property, plant and equipment	A3 (ii)	(331)
Foreign currency translation reserve	A3 (iii)	(3)
Decrease in retained earnings		(1,983)
Foreign currency translation reserve		
Retained earnings	A3 (iii)	3
Increase in foreign currency translation reserve		3
Decrease in reserves	App 1(a)	(1,980)

ii. Deferred tax liabilities

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

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