PETRONAS

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

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 2014 which should be read in conjunction with the accompanying explanatory notes on pages 8 to 22.

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

		Individual quarter ended 30 September		Cumulative quarter ended 30 September	
In RM Mil	**Note**	**2014**	**2013**	**2014**	**2013**
Revenue		3,549	3,527	10,696	11,853
Cost of goods sold		(2,506)	(2,514)	(7,505)	(7,527)
Gross profit		1,043	1,013	3,191	4,326
Selling and distribution expenses		(149)	(145)	(443)	(475)
Administration expenses		(139)	(117)	(417)	(329)
Other expenses		(12)	(22)	(65)	(77)
Other income		107	118	378	365
Operating profit	B5	850	847	2,644	3,810
Financing costs		(4)	-	(12)	-
Share of profit of equity accounted joint ventures and associates, net of tax		53	78	140	151
Profit before taxation		899	925	2,772	3,961
Tax expense	B6	(167)	(213)	(617)	(955)
PROFIT FOR THE PERIOD		732	712	2,155	3,006
Other comprehensive income / (expenses)					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences		1	2	(1)	3
Share of other comprehensive income / (expenses) of equity accounted joint ventures and associates		14	15	(2)	32
		15	17	(3)	35
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		747	729	2,152	3,041

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

		Individual quarter ended 30 September		Cumulative quarter ended 30 September	
In RM Mil	**Note**	**2014**	**2013**	**2014**	**2013**
Profit attributable to:					
Shareholders of the Company		661	635	1,964	2,697
Non-controlling interests		71	77	191	309
PROFIT FOR THE PERIOD		732	712	2,155	3,006
Total comprehensive income attributable to:					
Shareholders of the Company		676	652	1,961	2,732
Non-controlling interests		71	77	191	309
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**747**	**729**	**2,152**	**3,041**
Basic earnings per share attributable to shareholders of the Company					
Based on ordinary shares issued (sen)	B17	8	8	25	34

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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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM Mil	Note	As at 30 September 2014	As at 31 December 2013
ASSETS			
Property, plant and equipment		13,928	13,245
Investments in joint ventures and associates		798	744
Intangible assets		8	10
Long term receivables		9	13
Deferred tax assets		448	458
TOTAL NON-CURRENT ASSETS		15,191	14,470
Trade and other inventories		1,235	1,203
Trade and other receivables		1,813	1,610
Current tax assets		165	155
Cash and cash equivalents		9,851	10,155
		13,064	13,123
Assets classified as held for sale		-	138
TOTAL CURRENT ASSETS		13,064	13,261
TOTAL ASSETS		28,255	27,731
EQUITY			
Share capital		800	800
Reserves		21,306	20,936
Total equity attributable to shareholders of the Company		22,106	21,736
Non-controlling interests		1,789	1,653
TOTAL EQUITY		23,895	23,389
LIABILITIES			
Deferred tax liabilities		890	933
Other long term liabilities and provisions		445	543
TOTAL NON-CURRENT LIABILITIES		1,335	1,476
Trade and other payables		2,727	2,678
Borrowings	B11	30	-
Current tax payables		268	146
		3,025	2,824
Liabilities classified as held for sale		-	42
TOTAL CURRENT LIABILITIES		3,025	2,866
TOTAL LIABILITIES		4,360	4,342
TOTAL EQUITY AND LIABILITIES		28,255	27,731

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

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Shareholders of the Company								
	Non-Distributable					*Distributable*			
	Share Capital	Share Premium	Foreign Currency Translation Reserve	Merger Reserve	Other Reserves	Retained Profits	Total	Non-controlling Interests	Total Equity
	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil	RM Mil
Balance at 1 January 2013	800	8,071	1	(204)	95	11,548	20,311	1,595	21,906
Foreign currency translation differences	-	-	3	-	-	-	3	-	3
Share of other comprehensive income of equity accounted joint ventures and associates	-	-	-	-	32	-	32	-	32
Total other comprehensive income for the period	-	-	3	-	32	-	35	-	35
Profit for the period	-	-	-	-	-	2,697	2,697	309	3,006
Total comprehensive income for the period	**-**	**-**	**3**	**-**	**32**	**2,697**	**2,732**	**309**	**3,041**
Dividends to shareholders of the Company	-	-	-	-	-	(1,760)	(1,760)	-	(1,760)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(169)	(169)
Others	-	-	-	-	-	-	-	1	1
Total transactions with shareholders of the Company	**-**	**-**	**-**	**-**	**-**	**(1,760)**	**(1,760)**	**(168)**	**(1,928)**
Balance at 30 September 2013	800	8,071	4	(204)	127	12,485	21,283	1,736	23,019

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to Shareholders of the Company								
	Non-Distributable					*Distributable*			
	Share Capital	**Share Premium**	**Foreign Currency Translation Reserve**	**Merger Reserve**	**Other Reserves**	**Retained Profits**	**Total**	**Non-controlling Interests**	**Total Equity**
	RM Mil	**RM Mil**	**RM Mil**	**RM Mil**	**RM Mil**	**RM Mil**	**RM Mil**	**RM Mil**	**RM Mil**
Balance at 1 January 2014	800	8,071	4	(204)	131	12,934	21,736	1,653	23,389
Foreign currency translation differences	-	-	(1)	-	-	-	(1)	-	(1)
Share of other comprehensive expense of equity accounted joint ventures and associates	-	-	-	-	(2)	-	(2)	-	(2)
Total other comprehensive expense for the period	-	-	(1)	-	(2)	-	(3)	-	(3)
Profit for the period	-	-	-	-	-	1,964	1,964	191	2,155
Total comprehensive income for the period	-	-	(1)	-	(2)	1,964	1,961	191	2,152
Dividends to shareholders of the Company	-	-	-	-	-	(1,600)	(1,600)	-	(1,600)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(54)	(54)
Others	-	-	(1)	-	(34)	44	9	(1)	8
Total transactions with shareholders of the Company	-	-	(1)	-	(34)	(1,556)	(1,591)	(55)	(1,646)
Balance at 30 September 2014	800	8,071	2	(204)	95	13,342	22,106	1,789	23,895

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.

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In RM Mil	**Cumulative quarter ended 30 September**	
	2014	**2013**
Cash receipts from customers	10,634	12,300
Cash paid to suppliers and employees	(7,362)	(7,761)
	3,272	4,539
Interest income received	236	238
Taxation paid	(532)	(835)
Cash flows generated from operating activities	2,976	3,942
Dividends received from equity accounted joint ventures and associates	85	147
Purchase of property, plant and equipment	(1,695)	(945)
Proceeds from disposal of property, plant and equipment	3	-
Proceeds from finance lease receivables	3	9
Cash flows used in investing activities	(1,604)	(789)
Dividends paid to:		
- PETRONAS	(1,030)	(1,133)
- others (third parties)	(570)	(627)
- non-controlling interests of subsidiaries	(54)	(121)
Drawdown of revolving credit	30	-
Repayment of finance lease liabilities	(51)	(51)
Cash flows used in financing activities	(1,675)	(1,932)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In RM Mil	**Cumulative quarter ended 30 September 2014**	**2013**
Net (decrease) / increase in cash and cash equivalents	(303)	1,221
Net foreign exchange difference	(1)	43
Cash and cash equivalents at beginning of the period	10,155	9,307
Cash and cash equivalents at end of the period	9,851	10,571

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

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. BASIS OF PREPARATION

The condensed financial statements are unaudited and have been prepared in accordance with IAS 34, MFRS 134, *Interim Financial Reporting* 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 year ended 31 December 2013 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

Within the context of these condensed consolidated financial statements, the Group comprises the Company and its subsidiaries, and the Group's interest in joint ventures and associates as at and for the quarter ended 30 September 2014.

A2. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the same accounting policies and methods of computation are followed in the condensed consolidated financial statements as compared with the consolidated financial statements for 31 December 2013.

As of 1 January 2014, the Group and the Company have adopted the following MFRSs and amendments (collectively referred to as "pronouncements") which are effective for annual periods beginning on or after 1 January 2014.

Effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 10	*Consolidated Financial Statements*
Amendments to MFRS 12	*Disclosure of Interests in Other Entities*
Amendments to MFRS 127	*Consolidated and Separate Financial Statements*
Amendments to MFRS 132	*Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
Amendments to MFRS 136	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to MFRS 139	*Novation of Derivatives and Continuation of Hedge Accounting*

A3. AUDIT QUALIFICATION

The audited financial statements of PCG and its subsidiaries for the year ended 31 December 2013 were not subject to any audit qualification.

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

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The prices of petrochemical products and their underlying feedstock are subject to significant fluctuations as they are influenced both by global supply and demand as well as movements in the prices of key commodities such as crude oil and natural gas. Consequently, margins have historically been cyclical and are sensitive to supply and demand imbalances both domestically and internationally. Supply is affected by significant capacity expansions by producers, and if such additions are not matched by corresponding growth in demand, which is generally linked to the level of economic activity, average industry operating margins will face downward pressures. As a result, the petrochemical cycle is characterised by years of tight supply, leading to high capacity utilisation rates and margins, followed by years of oversupply, primarily resulting from significant capacity additions, leading to reduced capacity utilisation rates and margins.

A5. EXCEPTIONAL ITEMS

There were no exceptional items during the quarter ended 30 September 2014.

A6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of the amounts reported in the most recent annual financial statements of PCG and its subsidiaries for the year ended 31 December 2013 that may have a material effect in the results of the period under review.

A7. DEBTS AND EQUITY SECURITIES

There were no material issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the quarter ended 30 September 2014.

A8. DIVIDENDS PAID

During the period under review, the Company paid:

(i) A second interim single tier dividend of 12 sen per ordinary share amounting to RM960 million in respect of the financial year ended 31 December 2013 to shareholders on 18 March 2014.

(ii) A first interim single tier dividend of 8 sen per ordinary share amounting to RM640 million in respect of the financial year ended 31 December 2014 to shareholders on 12 September 2014.

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

A9. SEGMENT RESULTS AND REPORTING

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

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

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

9.1 Revenue

	Cumulative quarter ended 30 September					
	External customers		Inter segment		Gross total revenue	
In RM Mil	2014	2013	2014	2013	2014	2013
Olefins and Derivatives	7,833	8,599	5	8	7,838	8,607
Fertilisers and Methanol	2,832	3,226	147	171	2,979	3,397
Others	31	28	24	28	55	56
Total	10,696	11,853	176	207	10,872	12,060

9.2 Profit for the period [1]

	Cumulative quarter ended 30 September	
In RM Mil	2014	2013
Olefins and Derivatives	1,496	2,027
Fertilisers and Methanol	644	902
Others	15	77
Total	2,155	3,006

[1] Included within profit for the quarter for Olefins and Derivatives, Fertilisers and Methanol and Others segments are depreciation and amortisation expenses amounting to RM583 million (2013: RM508 million), RM280 million (2013: RM281 million) and RM11 million (2013: RM9 million) respectively.

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

A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment for the period under review. As at 30 September 2014, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

A11. CONTINGENCIES

There were no material contingent liabilities or contingent assets since the last consolidated statement of financial position as at 31 December 2013.

A12. CHANGES IN THE COMPOSITION OF THE GROUP

The changes in the composition of the Group for the current financial period to date are as follows:

i) On 13 March 2014, a wholly-owned subsidiary, PETRONAS Chemicals Marketing Sdn. Bhd., incorporated a wholly-owned subsidiary, PCM (Thailand) Company Limited ("PCMT"), in Thailand.

ii) On 11 June 2014, the Group completed the divestment of its entire 93.11% equity interest in Phu My Plastics and Chemical Company Limited ("PMPC"). Upon completion of the divestment, PMPC ceased to be a subsidiary of PCG and its results are no longer consolidated.

iii) On 24 September 2014, a wholly-owned subsidiary, PETRONAS Chemicals Marketing Sdn. Bhd., incorporated a wholly-owned subsidiary, PCM (China) Company Limited ("PCMC"), in People's Republic of China.

A13. 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 2014**	**As at 31 December 2013**
Property, plant and equipment:		
Approved and contracted for	2,441	1,540
Approved but not contracted for	782	1,741
	3,223	3,281

Included in the above is an amount of RM2,285 million (2013: RM2,021 million) relating to the development of a new world scale fertiliser plant in Sipitang, Sabah (referred to as the “SAMUR” project).

PART B - NOTES PURSUANT TO BURSA MALAYSIA LISTING REQUIREMENTS

B1. REVIEW OF GROUP PERFORMANCE

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

	Quarter ended 30 September					
	Group		Olefins and Derivatives		Fertilisers and Methanol	
In RM Mil	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Revenue	3,549	3,527	2,734	2,665	851	912
Profit	732	712	562	531	143	157
EBITDA[1]	1,099	1,032	872	758	219	285

Overall, the Group achieved improved operational performance during the quarter, recording higher plant utilisation rate of 75% compared to 70% in the corresponding quarter. The stronger performance was driven by better plant reliability across both segments and lower level of statutory turnaround activities. In the corresponding quarter, the Group undertook statutory turnaround activities at its main cracker and related downstream facilities. These offset the impact of methane gas supply limitation at the Group's methanol facilities. Excluding gas supply limitation at the methanol facilities, plant utilisation for the Group would have been significantly higher at 88%.

Production volume increased following higher plant utilisation. However, sales volume did not increase in tandem as the higher production was mainly for use as intermediary products.

Average realised price for the Group was comparable against the corresponding quarter. Product prices were mixed across the board with higher polymer prices on the back of higher ethylene feedstock cost and higher fertiliser prices following tight supply availability from key producers. In contrast, ethylene glycols, aromatics, and methanol prices softened due to softening demand from polyester industry, increased supply availability with new capacity additions and resumption of production at key regional producers respectively.

With comparable sales volume and average realised prices, Group revenue increased slightly by 1% or RM22 million at RM3.5 billion from the corresponding quarter.

Profit for the quarter rose by 3% or RM20 million to RM732 million following higher volumes of high-margin ethane based products. Similarly, EBITDA increased by 6% or RM67 million to RM1,099 million.

[1] *EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit of equity accounted joint ventures and associates and other exceptional items.*

B1. REVIEW OF GROUP PERFORMANCE (continued)

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

Olefins and Derivatives

The segment achieved significantly higher plant utilisation rate of 90% compared to 78% in the corresponding quarter, mainly as a result of lower level of statutory turnaround activities. There were no statutory turnaround activities undertaken this quarter whereas in the corresponding quarter, statutory turnaround activities were carried out at the main cracker and its related downstream facilities.

Market conditions for olefins and derivatives were mixed with polymers registering higher prices on the back of higher ethylene prices following heavy cracker turnaround in Asia. However, ethylene glycols prices were lower due to lower demand from the polyester industry whilst aromatics prices declined due to additional supply coming onstream.

Revenue for the segment increased by 3% or RM69 million at RM2.7 billion as a result of higher volumes. Profit for the quarter increased by 6% or RM31 million to RM562 million with higher volumes of high-margin ethane based products. EBITDA was higher by 15% or RM114 million at RM872 million.

Fertilisers and Methanol

Operational performance of the segment was comparable to the corresponding quarter with plant utilisation rate of 64%. Whilst the segment’s plant reliability improved, this was offset by methane gas supply limitation at the methanol plants due to issues at upstream supplier surface facilities. In addition, there was statutory turnaround activity conducted at the smaller methanol facility during the quarter.

Similar to plant utilisation, production volume was also comparable. Sales volume, however, was lower as there were lower third party product purchases for methanol and ammonia in the current quarter.

Market prices for fertilisers strengthened compared to the corresponding quarter, fuelled by tight supply conditions following production limitations in the Middle East and North Africa. Methanol prices stabilised, trending lower as key regional producers resumed operations.

Revenue for the segment decreased by 7% or RM61 million to RM0.9 billion due to lower volumes, particularly methanol. Accordingly, profit declined by 9% or RM14 million to RM143 million whilst EBITDA was lower by 23% or RM66 million at RM219 million.

(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	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Revenue	10,696	11,853	7,838	8,607	2,979	3,397
Profit	2,155	3,006	1,496	2,027	644	902
EBITDA[1]	3,302	4,364	2,345	2,951	1,024	1,439

Against the corresponding period, the Group recorded lower plant utilisation by 5% at 77% on the back of higher level of gas supply limitations and statutory turnaround activities.

Lower methane gas availability from upstream supplier affected the Group's methanol production, particularly in the first and third quarter of the period. Statutory turnarounds were also more intensive in the period with activities at the Group's smaller cracker and related downstream facility, MTBE plant, Bintulu urea plant and smaller methanol facility, as well as planned maintenance at the aromatics plant. The corresponding period saw statutory turnaround activities at the PDH plant as well as at the main cracker and related downstream facilities.

Consequently, production and sales volumes were lower.

Average realised prices for the period was slightly lower with mixed movements amongst the products. Polymer and methanol prices strengthened whilst ethylene glycols, aromatics and fertiliser prices softened.

As a result of lower volumes and prices, Group revenue declined by 10% or RM1.2 billion at RM10.7 billion. Subsequently, profit for the period decreased by 28% or RM851 million at RM2.2 billion mainly due to narrower spreads particularly for ethylene glycols, derivatives and aromatics and lower volumes of higher-margin ethane based products. EBITDA also decreased by 24% or RM1,062 million to RM3,302 million.

[1] *EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit of equity accounted joint ventures and associates and other exceptional items.*

B1. REVIEW OF GROUP PERFORMANCE (continued)

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

Olefins and Derivatives

During the period, the segment recorded lower plant utilisation of 84% compared to 89% in the corresponding period as a result of heavier statutory turnaround and maintenance activities during the first half of 2014. Statutory turnaround activities were undertaken at the smaller cracker and related downstream facility and at MTBE plant whilst the planned maintenance activities were carried out at the aromatics plant.

Compared to the corresponding period, market conditions for olefins and derivatives products were mixed. Polymer prices rose, supported by stronger ethylene prices following limited supply in the region. In contrast, ethylene glycols and aromatics prices fell as a result of softening demand particularly from polyester industry and additional capacities coming onstream respectively.

As a result of lower volumes and average realised prices, the segment registered lower revenue by 9% or RM769 million at RM7.8 billion. Profit for the period declined by 26% or RM531 million at RM1.5 billion whilst EBITDA decreased by 21% or RM606 million at RM2.3 billion, primarily due to narrower spreads as well as lower volumes of higher-margin ethane based products.

Fertilisers and Methanol

The segment’s operational performance during the period was adversely affected by limited methane gas availability at its methanol facilities in the first quarter due to extended upstream facilities shutdown to conduct offshore technical works and in the third quarter due to equipment issues at the upstream surface facilities. There were also statutory turnaround activities carried out in the period at the smaller urea plant and at the smaller methanol facility.

As a result, the segment recorded lower plant utilisation rate of 72% compared to 77% in the corresponding period with lower production and sales volumes.

Excluding gas supply disruption, PU for the segment would have been higher at 85%.

The fertiliser market conditions were generally weaker with lower prices following softer demand and, more competitive export tax structure in China. In comparison, methanol prices was higher, spiking in the first quarter due to supply shortage before stabilising in the second quarter onwards as supply resumed at key regional producers.

Revenue for the segment was lower by 12% or RM418 million at RM3.0 billion as a result of lower prices and volumes, particularly methanol. Profits declined by 29% or RM258 million to RM644 million whilst EBITDA decreased by 29% or RM415 million to RM1.0 billion.

B2. VARIATION OF RESULTS AGAINST THE PRECEDING QUARTER

The Group's plant utilisation decreased slightly from 76% to 75% compared to the preceding quarter, mainly due to methane gas supply limitation affecting the methanol facilities which negated improved plant reliability achieved as well as lower level of statutory turnaround and maintenance activities. Excluding gas supply limitation during the quarter, PU would have been considerably higher at 88%.

Average realised price and spreads were higher in line with slightly improved market conditions, particularly ethylene glycols due to improved demand as well as urea and aromatics due to tight supply availability from key producing regions.

Revenue was higher by 6% or RM208 million at RM3.5 billion as a result of higher prices and volumes of higher margin ethane-based products, offset by lower volumes of methanol.

Profit for the quarter surged by 25% or RM147 million to RM732 million on increased volumes of higher margin ethane based products as well as improved spreads. Similarly, EBITDA rose by 15% or RM143 million to RM1,099 million.

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 utilisation of our production facilities is dependent on plant maintenance activities, sufficient availability of feedstock and utilities supply. With improved plant maintenance programme and supplier relationship management, the Group expects to achieve better plant utilisation for the year.

a) Olefins and Derivatives

The Group anticipates the market to remain challenging as product prices are expected to remain under downward pressure for the remainder of the year.

b) Fertilisers and Methanol

Price for urea is expected to stabilise with the closure of low tax export window in China and completion of restocking activities for planting season. Methanol prices remain susceptible to supply availability in the market.

The Group expects feedstock supply reliability will further improve in the first quarter of 2016 when sources of supply from another new field is expected to be available via a new pipeline.

Despite challenging market conditions and issues at upstream facilities, and barring any unforeseen circumstances, we anticipate the results of our operations for the next quarter to improve following full completion of turnaround and maintenance activities.

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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	**2014**	**2013**	**2014**	**2013**
Included in operating profit are the following charges:				
Depreciation and amortisation	314	269	874	798
Impairment losses on trade receivables	-	-	-	1
Loss on foreign exchange	11	26	62	70
Derivative loss	8	-	1	-
and credits:				
Interest income	83	84	231	245
Other income	7	3	60	8
Gain on foreign exchange	25	31	86	108
Derivative gain	-	7	2	7

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

B6. TAX EXPENSE

In RM Mil	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2014	**2013**	**2014**	**2013**
Current tax expenses				
- Current period tax	246	194	679	802
- (Over) / Under provision in respect of prior periods	(28)	9	(29)	9
	218	203	650	811
Deferred tax expenses				
- Origination and reversal of temporary differences	(45)	15	(29)	142
- (Over) / Under provision in respect of prior periods	(6)	(5)	(4)	2
	(51)	10	(33)	144
	167	213	617	955

The Group's effective tax rates for the period ended 30 September 2014 and period ended 30 September 2013 are 22.3% and 24.1% respectively.

B7. SALES OF UNQUOTED INVESTMENTS/PROPERTIES

There were no material disposals of unquoted investments or properties by the Group for the current quarter.

B8. QUOTED SECURITIES

There were no material dealings in quoted securities during the 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 2013.

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 30 September 2014 RM Mil	Intended timeframe for utilisation from the date of listing
Expansion of business and synergistic growth acquisitions	2,344	(3,109)	1,221	456	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	(3,184)	-	456	

* 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 30 September 2014 are as follows:

In RM Mil	Quarter ended 30 September 2014	2013
Current		
Revolving credit	30	-

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 quarter ended 30 September 2014.

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 Requirement,* 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 2014 is disclosed as follows:

In RM Mil	**As at 30 September 2014**	**As at 31 December 2013**
Total retained profits of the Group:		
Realised	16,755	16,218
Unrealised	(401)	(431)
	16,354	15,787
Total share of retained profits from joint ventures and associates:		
Realised	434	375
Unrealised	(40)	(38)
	394	337
Total realised and unrealised	16,748	16,124
Less: Consolidation adjustments	(3,406)	(3,190)
Total group retained profits as per consolidated account	13,342	12,934

PETRONAS

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2014

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

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 year ended 31 December 2013.

B17. BASIC EARNINGS PER SHARE

In RM Mil	Individual quarter ended 30 September 2014	Individual quarter ended 30 September 2013	Cumulative quarter ended 30 September 2014	Cumulative quarter ended 30 September 2013
Profit for the period attributable to shareholders of the Company	661	635	1,964	2,697
Earnings per share attributable to shareholders of the Company:				
In millions of shares				
Number of ordinary shares issued	8,000	8,000	8,000	8,000
Basic earnings per share (sen)	8	8	25	34

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
Syed Marzidy Syed Marzuki (MACS 01703)
Kang Shew Meng (MAICSA 0778565)
Joint Secretaries

Kuala Lumpur
6 November 2014