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

QUARTERLY REPORT FOR THE QUARTER ENDED 30 JUNE 2015

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 ended 30 June 2015 which should be read in conjunction with the accompanying explanatory notes on pages 8 to 24.

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

		Individual quarter ended 30 June		**Cumulative quarter ended 30 June**	
In RM Mil	**Note**	**2015**	**2014**	**2015**	**2014**
Revenue		3,305	3,341	6,445	7,147
Cost of goods sold		(2,260)	(2,447)	(4,368)	(4,999)
Gross profit		1,045	894	2,077	2,148
Selling and distribution expenses		(149)	(149)	(295)	(293)
Administration expenses		(143)	(137)	(253)	(278)
Other expenses		(88)	(8)	(389)	(53)
Other income		179	148	529	271
Operating profit	B5	844	748	1,669	1,795
Financing costs		(8)	(4)	(15)	(8)
Share of profit of equity accounted joint ventures and associates, net of tax		17	38	42	87
Profit before taxation		853	782	1,696	1,874
Tax expense	B6	(215)	(197)	(386)	(450)
PROFIT FOR THE PERIOD		638	585	1,310	1,424
Other comprehensive income/ (expenses)					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences		15	(1)	102	(2)
Share of other comprehensive income/(expenses) of equity accounted joint ventures and associates		20	(10)	62	(16)
		35	(11)	164	(18)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		673	574	1,474	1,406

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

In RM Mil	Note	Individual quarter ended 30 June 2015	Individual quarter ended 30 June 2014	Cumulative quarter ended 30 June 2015	Cumulative quarter ended 30 June 2014
Profit attributable to:					
Shareholders of the Company		557	555	1,162	1,304
Non-controlling interests		81	30	148	120
PROFIT FOR THE PERIOD		638	585	1,310	1,424
Total comprehensive income attributable to:					
Shareholders of the Company		592	544	1,326	1,286
Non-controlling interests		81	30	148	120
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**673**	**574**	**1,474**	**1,406**
Basic earnings per share attributable to shareholders of the Company					
Based on ordinary shares issued (sen)	B16	7	7	15	16

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 ENDED 30 JUNE 2015

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM Mil	**Note**	**As at 30 June 2015**	**As at 31 December 2014**
ASSETS			
Property, plant and equipment		14,905	14,255
Investments in joint ventures and associates		1,108	866
Intangible assets		6	7
Long term receivables		8	9
Deferred tax assets		480	475
TOTAL NON-CURRENT ASSETS		16,507	15,612
Trade and other inventories		1,418	1,239
Trade and other receivables		1,629	1,674
Current tax assets		120	131
Cash and cash equivalents		9,302	9,807
TOTAL CURRENT ASSETS		12,469	12,851
TOTAL ASSETS		28,976	28,463
EQUITY			
Share capital		800	800
Reserves		22,608	21,922
Total equity attributable to shareholders of the Company		23,408	22,722
Non-controlling interests		1,707	1,755
TOTAL EQUITY		25,115	24,477
LIABILITIES			
Deferred tax liabilities		903	941
Other long term liabilities and provisions		735	567
TOTAL NON-CURRENT LIABILITIES		1,638	1,508
Trade and other payables		2,098	2,395
Current tax payables		125	83
TOTAL CURRENT LIABILITIES		2,223	2,478
TOTAL LIABILITIES		3,861	3,986
TOTAL EQUITY AND LIABILITIES		28,976	28,463

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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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 as at 1 January 2014	800	8,071	4	(204)	131	12,934	21,736	1,653	23,389
Foreign currency translation differences	-	-	(2)	-	-	-	(2)	-	(2)
Share of other comprehensive expense of equity accounted joint ventures and associates	-	-	-	-	(16)	-	(16)	-	(16)
Total other comprehensive expense for the period	-	-	(2)	-	(16)	-	(18)	-	(18)
Profit for the period	-	-	-	-	-	1,304	1,304	120	1,424
Total comprehensive income for the period	-	-	(2)	-	(16)	1,304	1,286	120	1,406
Dividends to shareholders of the Company	-	-	-	-	-	(960)	(960)	-	(960)
Dividends to non–controlling interests	-	-	-	-	-	-	-	(54)	(54)
Others	-	-	(1)	-	(34)	44	9	(1)	8
Total transactions with shareholders of the Company	-	-	(1)	-	(34)	(916)	(951)	(55)	(1,006)
Balance as at 30 June 2014	**800**	**8,071**	**1**	**(204)**	**81**	**13,322**	**22,071**	**1,718**	**23,789**

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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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 as at 1 January 2015	800	8,071	74	(204)	138	13,843	22,722	1,755	24,477
Foreign currency translation differences	-	-	102	-	-	-	102	-	102
Share of other comprehensive income of equity accounted joint ventures and associates	-	-	62	-	-	-	62	-	62
Total other comprehensive income for the period	-	-	164	-	-	-	164	-	164
Profit for the period	-	-	-	-	-	1,162	1,162	148	1,310
Total comprehensive income for the period	-	-	164	-	-	1,162	1,326	148	1,474
Redemption of Redeemable Preference Shares in a subsidiary	-	-	-	-	130	(130)	-	(111)	(111)
Dividends to shareholders of the Company	-	-	-	-	-	(640)	(640)	-	(640)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(85)	(85)
Total transactions with shareholders of the Company	-	-	-	-	130	(770)	(640)	(196)	(836)
Balance as at 30 June 2015	**800**	**8,071**	**238**	**(204)**	**268**	**14,235**	**23,408**	**1,707**	**25,115**

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 QUARTER ENDED 30 JUNE 2015

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In RM Mil	Cumulative quarter ended 30 June 2015	Cumulative quarter ended 30 June 2014
Cash receipts from customers	6,876	7,352
Cash paid to suppliers and employees	(5,040)	(4,914)
	1,836	2,438
Interest income received	144	152
Taxation paid	(344)	(362)
Cash flows generated from operating activities	**1,636**	**2,228**
Increase in investment in an associate	(191)	-
Dividends received from equity accounted joint ventures and associates	55	44
Purchase of property, plant and equipment	(1,195)	(1,325)
Proceeds from sale of property, plant and equipment	-	4
Proceeds from finance lease receivables	-	3
Cash flows used in investing activities	**(1,331)**	**(1,274)**
Dividend paid to:		
- PETRONAS	(412)	(618)
- Other (third parties)	(228)	(342)
- Non-controlling interests of subsidiaries	(85)	(54)
Drawdown of revolving credit	-	30
Redemption of redeemable preference shares held by non-controlling interests	(111)	-
Repayment of finance lease liabilities	(14)	(34)
Cash flows used in financing activities	**(850)**	**(1,018)**

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QUARTERLY REPORT FOR THE QUARTER ENDED 30 JUNE 2015

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In RM Mil	**Cumulative quarter ended 30 June 2015**	**2014**
Net decrease in cash and cash equivalents	(545)	(64)
Net foreign exchange difference	40	(4)
Cash and cash equivalents at beginning of the period	9,807	10,155
Cash and cash equivalents at end of the period	**9,302**	**10,087**

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 ENDED 30 JUNE 2015

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 2014 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 June 2015.

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 2014.

As of 1 January 2015, the Group have adopted the following MFRSs and amendments (collectively referred to as "pronouncements") which are effective for annual years beginning on or after 1 July 2014.

Effective for annual periods beginning on or after 1 July 2014

Effective beginning on or after 1 July 2014

Amendments to MFRS 1	*First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011 – 2013 Cycle)*
Amendments to MFRS 3	*Business Combinations (Annual Improvements 2010 – 2012 Cycle and 2011 – 2013 Cycle)*
Amendments to MFRS 8	*Operating Segments (Annual Improvements 2010 – 2012 Cycle)*
Amendments to MFRS 13	*Fair Value Measurement (Annual Improvements 2011 – 2013 Cycle)*
Amendments to MFRS 116	*Property, Plant and Equipment (Annual Improvements 2010 – 2012 Cycle)*
Amendments to MFRS 119	*Employee Benefits – Defined Benefit Plans: Employee Contributions*
Amendments to MFRS 124	*Related Party Disclosures (Annual Improvements 2010 – 2012 Cycle)*
Amendments to MFRS 138	*Intangible Assets (Annual Improvements 2010 – 2012 Cycle)*

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

A3. AUDIT QUALIFICATION

The audited financial statements of PCG and its subsidiaries for the year ended 31 December 2014 were not subject to any audit qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The prices of petrochemical products and their underlying feedstock are subject to significant fluctuations as they are influenced both by global supply and demand as well as movements in the prices of key commodities such as crude oil and natural gas. Consequently, margins have historically been cyclical and are sensitive to supply and demand imbalances both domestically and internationally. Supply is affected by significant capacity expansions by producers, and if such additions are not matched by corresponding growth in demand, which is generally linked to the level of economic activity, average industry operating margins will face downward pressures. As a result, the petrochemical cycle is characterised by 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 June 2015.

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 2014 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 June 2015.

A8. DIVIDENDS PAID

During the period under review, the Company paid a second 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 24 March 2015.

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QUARTERLY REPORT FOR THE QUARTER ENDED 30 JUNE 2015

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

A9. SEGMENT RESULTS AND REPORTING

- Olefins and Derivatives - activities include manufacturing and marketing 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 manufacturing and marketing methanol and a range of nitrogen, phosphate and compound fertilisers.
- Others - other businesses that supports the petrochemicals' business operations.

9.1 Revenue

	Cumulative quarter ended 30 June					
	External customers		Inter segment		Gross total revenue	
In RM Mil	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Olefins and Derivatives	4,444	5,101	5	3	4,449	5,104
Fertilisers and Methanol	1,979	2,027	80	101	2,059	2,128
Others	22	19	19	15	41	34
Total	6,445	7,147	104	119	6,549	7,266

9.2 Profit for the period (1)

	Cumulative quarter ended 30 June	
In RM Mil	**2015**	**2014**
Olefins and Derivatives	769	935
Fertilisers and Methanol	512	501
Others	29	(12)
Total	1,310	1,424

(1) Included within profit for the quarter for Olefins and Derivatives, Fertilisers and Methanol and Others segments are depreciation and amortisation expenses amounting to RM401 million (2014: RM372 million), RM219 million (2014: RM181 million) and RM7 million (2014: RM7 million) respectively.

A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment for the period under review. As at 30 June 2015, 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 2014.

A12. 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 June 2015**	**As at 31 December 2014**
Property, plant and equipment:		
Approved and contracted for	446	1,417
Approved but not contracted for	1,206	1,940
	1,652	3,357

Included in the above is an amount of RM750 million (2014: RM1,841 million) relating to the development of a new world scale fertiliser plant in Sipitang, Sabah (referred to as the “SAMUR” project).

A13. FAIR VALUE INFORMATION

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable input).

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Forward foreign exchange contracts

The fair value of forward exchange contracts is based on the difference between the contracted forward rates and the Mark-To-Market (MTM) rates. If a quoted market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

Finance lease liabilities

The fair values of finance lease liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

A13. FAIR VALUE INFORMATION (continued)

The following table analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
As at 30 June 2015	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**	**Total**
In RM Mil										
Financial assets										
Forward exchange contracts	-	10	-	10	-	-	-	-	10	10
Financial liabilities										
Forward exchange contracts	-	(300)	-	(300)	-	-	-	-	(300)	(300)
Finance lease liabilities	-	-	-	-	-	-	(205)	(205)	(205)	(204)
	-	(300)	-	(300)	-	-	(205)	(205)	(505)	(504)

A13. FAIR VALUE INFORMATION (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
As at 31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**	**Total**
In RM Mil										
Financial assets										
Forward exchange contracts	-	13	-	13	-	-	-	-	13	13
Financial liabilities										
Forward exchange contracts	-	(118)	-	(118)	-	-	-	-	(118)	(118)
Finance lease liabilities	-	-	-	-	-	-	(229)	(229)	(229)	(226)
	-	(118)	-	(118)	-	-	(229)	(229)	(347)	(344)

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QUARTERLY REPORT FOR THE QUARTER ENDED 30 JUNE 2015

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 June					
	Group		Olefins and Derivatives		Fertilisers and Methanol	
In RM Mil	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Revenue	3,305	3,341	2,355	2,246	981	1,123
Profit	638	585	405	346	222	258
EBITDA[1]	1,083	956	768	595	332	405

The Group recorded improved plant utilisation at 78% for the quarter compared to 76% in the corresponding quarter. This improved operational performance was achieved on the back of better plant reliability and lower level of statutory turnaround activities. During the quarter, the Group undertook statutory turnaround at its Gurun urea facility and planned maintenance at its glycols and derivatives facilities. Excluding the statutory turnaround and planned maintenance, plant utilisation would have been 89%.

Group production and sales volumes increased in line with plant utilisation.

Market conditions continued to be challenging as both segments recorded lower average product prices amidst lower crude oil price environment.

The Group recorded revenue of RM3.3 billion, comparable to the corresponding quarter as the higher sales volumes and favourable exchange rate movement offset the impact of lower average product prices.

Group profit for the quarter grew by RM53 million or 9% to RM638 million driven by lower feedstock cost particularly for naphtha, propane and butane products supported by favourable exchange rate movement. Similarly, EBITDA also rose by RM127 million or 13% to RM1.1 billion.

(1) EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit of equity accounted joint ventures and associates and other significant non-cash items.

B1. REVIEW OF GROUP PERFORMANCE (continued)

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

Olefins and Derivatives

Against the corresponding quarter, olefins and derivatives product prices trended lower following the decline in crude oil and naphtha prices.

Operationally, the segment recorded significantly higher plant utilisation of 84% compared to 65% in the corresponding quarter driven by lower statutory turnaround activities and improved ethane supply, partially offset by planned maintenance at its glycols and derivatives facilities. Both production and sales volumes increased as a result of stronger operational performance.

The segment's revenue for the quarter grew by RM109 million or 5% to RM2.4 billion as a result of higher sales volumes and favourable exchange rate movement which negated lower average product prices. Consequently, profit for the quarter increased by RM59 million or 17% at RM405 million whilst EBITDA rose by RM173 million or 29% to RM768 million.

Fertilisers and Methanol

Both fertilisers and methanol prices averaged lower compared to the corresponding quarter. Urea prices softened largely due to higher supply from China following changes in export tax structure. Ammonia prices declined due to lower downstream demand. Methanol prices were affected by weaker demand for methanol based energy derivatives as a result of lower crude oil prices.

Plant utilisation for the segment declined to 73% from 85% due to statutory turnaround activities at the Gurun urea facility. As a result, both production and sales volumes decreased.

Segment revenue declined by RM142 million or 13% at RM981 million with lower average product prices and volumes. Consequently, profit for the quarter was lower by RM36 million or 14% at RM222 million whilst EBITDA was lower by RM73 million or 18% at RM332 million.

B1. REVIEW OF GROUP PERFORMANCE (continued)

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

	Cumulative quarter ended 30 June					
	Group		Olefins and Derivatives		Fertilisers and Methanol	
In RM Mil	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Revenue	6,445	7,147	4,449	5,104	2,059	2,128
Profit	1,310	1,424	769	935	512	501
EBITDA[(1)]	2,201	2,203	1,418	1,473	804	805

Operational performance improved with higher plant utilisation achieved at 84% compared to 78% in the corresponding period driven by stronger plant reliability and lower level of statutory turnarounds. There was only one statutory turnaround during the period compared to four in the corresponding period. Excluding the statutory turnaround and planned maintenance, plant utilisation would have been 89%.

Correspondingly, production and sales volumes were higher.

Overall average product prices were lower in tandem with falling crude oil and naphtha prices amidst challenging market conditions.

Group revenue declined by 10% or RM702 million at RM6.4 billion, weighed down by lower average product prices.

Profit for the period decreased by 8% or RM114 million at RM1.3 billion despite higher sales volumes due to narrower product spreads and lower share of profit of equity accounted joint ventures and associates. In addition, the Group recognised a once-off charge of RM63 million in the current period for change in functional currency at one of its subsidiaries. Excluding this, EBITDA is comparable at RM2.2 billion.

(1) EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit of equity accounted joint ventures and associates and other significant non-cash items.

B1. REVIEW OF GROUP PERFORMANCE (continued)

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

Olefins and Derivatives

Operational performance for the segment improved with higher plant utilisation of 89% compared to 81%, in line with lower statutory turnaround activities and higher ethane supply. Both production and sales volumes increased as a result of stronger operational performance.

Olefins and derivatives prices averaged lower in tandem with continued decline in crude oil and naphtha prices which began in the second half of 2014.

Segment revenue decreased by 13% or RM655 million to RM4.4 billion due to lower product prices. Profit for the period declined by 18% or RM166 million at RM769 million and EBITDA decreased by 4% or RM55 million to RM1.4 billion as a result of narrower product spreads, offset by favourable exchange rate movement.

Fertilisers and Methanol

Operational performance for the segment improved with better plant reliability. Segment plant utilisation subsequently increased by 4% to 80% from 76% in the corresponding period.

Urea prices declined in the current period mainly as a result of additional supply from China in the market due to more competitive export tax structure while ammonia prices fell as regional producers resumed operations. Methanol prices decreased by weaker demand for methanol based energy derivatives as a result of lower crude oil prices.

Revenue decreased slightly by 3% or RM69 million to RM2.1 billion following softer prices, negated by higher sales volumes. Profit improved slightly by 2% or RM11 million to RM512 million due to lower tax expense whilst EBITDA was comparable at RM804 million.

B2. VARIATION OF RESULTS AGAINST THE PRECEDING QUARTER

The Group's plant utilisation rate decreased in the current quarter at 78% compared to 90% in the preceding quarter following statutory turnaround undertaken at its Gurun urea facility and planned maintenance activities at its glycols and derivatives facilities. Accordingly, production and sales volumes was also lower.

Average product prices, however, increased in current quarter on the back of strengthening crude oil price as commercial crude oil inventory and US oil production eased. In addition, ethylene supply in Asia remained tight as several crackers in the region were running at reduced rate.

Group revenue was higher by RM165 million or 5% at RM3.3 billion, driven by higher average product prices. However, profit for the quarter was lower by RM34 million or 5% at RM638 million as slightly improved spreads was offset by higher costs in relation to planned maintenance activities. Similarly, EBITDA decreased by RM35 million or 3% to RM1.1 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 utilisation of our production facilities is dependent on plant maintenance activities and sufficient availability of feedstock as well as utilities supply. With improved plant maintenance programme and supplier relationship management, the Group aims to achieve better plant utilisation for the year.

a) Olefins and Derivatives

The Group anticipates the market for olefins and derivatives to remain uncertain in the near term, given the volatility in the crude oil and naphtha prices although we expect the volatility to be less than the crude oil price.

There are no planned major maintenance activities in the second half of the year.

B3. COMMENTARY ON PROSPECTS (continued)

b) Fertilisers and Methanol

Global demand and prices for urea continue to be driven largely by the agriculture industry, which is seasonal in nature. The Group expects the fertiliser market to remain challenging for the rest of the year with higher supplies of fertilisers from China following the new export tax structure. Methanol price may also remain challenging as a result of uncertainty in crude oil prices.

The Group plans to undertake statutory turnaround at one of its plants in the second half of the year.

The Group expects feedstock supply reliability for the segment to improve in the first quarter of 2016 when gas supply from new sources is expected to be available via a new pipeline.

B4. PROFIT FORECAST OR PROFIT GUARANTEE

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

B5. OPERATING PROFIT

	Individual quarter ended 30 June		Cumulative quarter ended 30 June	
In RM Mil	**2015**	**2014**	**2015**	**2014**
Included in operating profit are the following charges:				
Depreciation and amortisation	321	285	627	560
Loss on realised foreign exchange	4	19	140	37
Loss on unrealised foreign exchange	26	-	59	14
Unrealised loss on forward exchange contract	56	8	187	-
and credits:				
Interest income	77	73	155	148
Other income	3	41	7	53
Gain on realised foreign exchange	10	33	135	36
Gain on unrealised foreign exchange	89	16	231	25
Unrealised gain on forward exchange contract	-	-	1	9

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 June		Cumulative quarter ended 30 June	
	2015	2014	2015	2014
Current tax expenses				
- Current period tax	225	192	427	433
- Over provision in respect of prior periods	-	-	-	(1)
	225	192	427	432
Deferred tax expenses				
- Origination and reversal of temporary differences	(12)	4	(41)	16
- Under provision in respect of prior periods	2	1	-	2
	(10)	5	(41)	18
	215	197	386	450

The Group's effective tax rates for the period ended 30 June 2015 and period ended 30 June 2014 are 23.0% and 24.0% respectively.

B7. SALES OF UNQUOTED INVESTMENTS/PROPERTIES

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

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 2014.

B10. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments as at the date of this report is as disclosed in note A13.

B11. 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 June 2015.

PETRONAS

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

QUARTERLY REPORT FOR THE QUARTER ENDED 30 JUNE 2015

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

B12. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

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 June 2015 is disclosed as follows:

In RM Mil	**As at 30 June 2015**	**As at 31 December 2014**
Total retained profits of the Group:		
Realised	18,184	17,925
Unrealised	(500)	(642)
	17,684	17,283
Total share of retained profits from joint ventures and associates:		
Realised	272	290
Unrealised	(39)	(44)
	233	246
Total realised and unrealised	17,917	17,529
Less: Consolidation adjustments	(3,682)	(3,686)
Total group retained profits as per consolidated account	14,235	13,843

B13. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

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

B14. 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 2014.

B15. DIVIDENDS

The Directors of the Company have declared an interim single tier dividend of 8 sen per ordinary share, amounting to RM 640 million to shareholders in respect of the financial year ending 31 December 2015 (2014 :first interim dividend for the year ended 31 December 2014 of 8 sen per share, amounting to RM 640 million).

The dividends are payable on 9 September 2015 to depositors registered in the Records of Depositors at the close of business on 24 August 2015.

A Depositor shall qualify for entitlement to the dividends only in respect of:-

a) Shares transferred into the Depositor's Securities Account before 4.00 pm on 24 August 2015 in respect of ordinary transfers.

b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

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QUARTERLY REPORT FOR THE QUARTER ENDED 30 JUNE 2015

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

B16. BASIC EARNINGS PER SHARE

	Individual quarter ended 30 June		Cumulative quarter ended 30 June	
In RM Mil	**2015**	**2014**	**2015**	**2014**
Profit for the period attributable to shareholders of the Company	557	555	1,162	1,304
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)	7	7	15	16

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
07 Aug 2015