



**PETRONAS**

**PETRONAS CHEMICALS GROUP BERHAD**  
**Quarterly Report**

**For Fourth Quarter and Year Ended 31 December 2016**

**QUARTERLY REPORT**

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016



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 2016 which should be read in conjunction with the accompanying explanatory notes on pages 7 to 18.

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

In RM Mil	Note	Individual quarter ended 31 December		Year ended 31 December	
		2016	2015	2016	2015
Revenue		3,947	3,449	13,860	13,536
Cost of revenue		(2,358)	(2,428)	(8,536)	(8,989)
<b>Gross profit</b>		<b>1,589</b>	1,021	<b>5,324</b>	4,547
Selling and distribution expenses		(196)	(152)	(704)	(615)
Administration expenses		(229)	(181)	(667)	(582)
Other expenses		(42)	73	(196)	(391)
Other income		81	137	289	798
<b>Operating profit</b>	<b>B5</b>	<b>1,203</b>	898	<b>4,046</b>	3,757
Net financing (costs)/ income	<b>B6</b>	(9)	-	47	(11)
Share of (loss)/ profit of equity-accounted joint ventures and associates, net of tax		(21)	14	17	87
<b>Profit before taxation</b>		<b>1,173</b>	912	<b>4,110</b>	3,833
Tax expense	<b>B7</b>	(140)	(121)	(888)	(742)
<b>PROFIT FOR THE PERIOD</b>		<b>1,033</b>	791	<b>3,222</b>	3,091
<b>Other comprehensive income/(expenses)</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences		758	(86)	641	362
Share of other comprehensive income/(expenses) of equity-accounted joint ventures and associates		92	(23)	46	197
<b>Total other comprehensive income/(expenses) for the period</b>		<b>850</b>	(109)	<b>687</b>	559
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>1,883</b>	682	<b>3,909</b>	3,650
<b>Profit attributable to:</b>					
Shareholders of the Company		987	704	2,932	2,782
Non-controlling interests		46	87	290	309
<b>PROFIT FOR THE PERIOD</b>		<b>1,033</b>	791	<b>3,222</b>	3,091
<b>Total comprehensive income attributable to:</b>					
Shareholders of the Company		1,837	595	3,619	3,341
Non-controlling interests		46	87	290	309
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>1,883</b>	682	<b>3,909</b>	3,650

The unaudited 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.

# QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016



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

<i>In RM Mil</i>	Note	Individual quarter ended 31 December		Year ended 31 December	
		2016	2015	2016	2015
<b>Basic earnings per share attributable to shareholders of the Company:</b>					
Based on ordinary shares issued (sen)	<b>B18</b>	<u>12</u>	<u>9</u>	<u>37</u>	<u>35</u>

The unaudited 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.

**QUARTERLY REPORT**

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>In RM Mil</i>	Note	As at 31.12.2016	As at 31.12.2015
<b>ASSETS</b>			
Property, plant and equipment		18,543	16,597
Investments in joint ventures and associates		1,363	1,280
Intangible assets		3	5
Long term receivables		83	8
Deferred tax assets		462	389
<b>TOTAL NON-CURRENT ASSETS</b>		<b>20,454</b>	<b>18,279</b>
Trade and other inventories		1,383	1,404
Trade and other receivables		2,639	1,692
Tax recoverable		69	129
Fund investments		-	622
Cash and cash equivalents		7,403	8,707
<b>TOTAL CURRENT ASSETS</b>		<b>11,494</b>	<b>12,554</b>
<b>TOTAL ASSETS</b>		<b>31,948</b>	<b>30,833</b>
<b>EQUITY</b>			
Share capital		800	800
Reserves		26,242	23,983
<b>Total equity attributable to shareholders of the Company</b>		<b>27,042</b>	<b>24,783</b>
Non-controlling interests		1,271	1,807
<b>TOTAL EQUITY</b>		<b>28,313</b>	<b>26,590</b>
<b>LIABILITIES</b>			
Deferred tax liabilities		874	814
Other long term liabilities and provisions		308	355
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,182</b>	<b>1,169</b>
Borrowings	B11	23	30
Trade and other payables		2,208	2,902
Current tax payables		180	142
Dividend payables		42	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,453</b>	<b>3,074</b>
<b>TOTAL LIABILITIES</b>		<b>3,635</b>	<b>4,243</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>31,948</b>	<b>30,833</b>

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

**QUARTERLY REPORT**

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<i>Attributable to shareholders of the Company</i>				
	<i>Non-distributable</i>				
<i>In RM Mil</i>	Share Capital	Share Premium	Foreign Currency Translation Reserve	Merger Reserve	Other Reserves
<b>Year ended 31 December 2015</b>					
At 1 January 2015	800	8,071	74	(204)	138
Foreign currency translation differences	-	-	362	-	-
Share of other comprehensive income of equity- accounted joint ventures and associates	-	-	-	-	197
Total other comprehensive income for the year	-	-	362	-	197
Profit for the year	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	362	-	197
Redemption of Redeemable Preference Shares in a subsidiary	-	-	-	-	152
Dividends to shareholders of the Company	-	-	-	-	-
Dividends to non-controlling interests	-	-	-	-	-
<b>Total transactions with shareholders</b>	-	-	-	-	152
Balance as at 31 December 2015	800	8,071	436	(204)	487
<b>Year ended 31 December 2016</b>					
At 1 January 2016	800	8,071	436	(204)	487
Foreign currency translation differences	-	-	641	-	-
Share of other comprehensive income of equity- accounted joint ventures and associates	-	-	-	-	46
Total other comprehensive income for the year	-	-	641	-	46
Profit for the year	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	641	-	46
Redemption of Redeemable Preference Shares in a subsidiary	-	-	-	-	17
Dividends to shareholders of the Company	-	-	-	-	-
Dividends to non-controlling interests	-	-	-	-	-
<b>Total transactions with shareholders</b>	-	-	-	-	17
Balance as at 31 December 2016	800	8,071	1,077	(204)	550

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

**QUARTERLY REPORT**

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016

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

<i>In RM Mil</i>	<i>Attributable to shareholders of the Company</i>		<b>Non- controlling Interests</b>	<b>Total Equity</b>
	<i>Distributable</i>			
	<b>Retained Profits</b>	<b>Total</b>		
<b>Year ended 31 December 2015</b>				
At 1 January 2015	13,843	22,722	1,755	24,477
Foreign currency translation differences	-	362	-	362
Share of other comprehensive income of equity- accounted joint ventures and associates	-	197	-	197
Total other comprehensive income for the year	-	559	-	559
Profit for the year	2,782	2,782	309	3,091
<b>Total comprehensive income for the year</b>	2,782	3,341	309	3,650
Redemption of Redeemable Preference Shares in a subsidiary	(152)	-	(111)	(111)
Dividends to shareholders of the Company	(1,280)	(1,280)	-	(1,280)
Dividends to non-controlling interests	-	-	(146)	(146)
<b>Total transactions with shareholders</b>	<b>(1,432)</b>	<b>(1,280)</b>	<b>(257)</b>	<b>(1,537)</b>
Balance as at 31 December 2015	15,193	24,783	1,807	26,590
<b>Year ended 31 December 2016</b>				
At 1 January 2016	15,193	24,783	1,807	26,590
Foreign currency translation differences	-	641	-	641
Share of other comprehensive income of equity- accounted joint ventures and associates	-	46	-	46
Total other comprehensive income for the year	-	687	-	687
Profit for the year	2,932	2,932	290	3,222
<b>Total comprehensive income for the year</b>	2,932	3,619	290	3,909
Redemption of Redeemable Preference Shares in a subsidiary	(17)	-	(11)	(11)
Dividends to shareholders of the Company	(1,360)	(1,360)	-	(1,360)
Dividends to non-controlling interests	-	-	(815)	(815)
<b>Total transactions with shareholders</b>	<b>(1,377)</b>	<b>(1,360)</b>	<b>(826)</b>	<b>(2,186)</b>
Balance as at 31 December 2016	16,748	27,042	1,271	28,313

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

**QUARTERLY REPORT**

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>In RM Mil</i>	<b>2016</b>	<b>Year ended 31 December 2015</b>
Cash receipts from customers	13,443	13,591
Cash paid to suppliers and employees	(8,946)	(8,883)
	4,497	4,708
Interest income received	260	350
Taxation paid	(799)	(724)
<b>Cash flows from operating activities</b>	<b>3,958</b>	<b>4,334</b>
Increase in investment in an associate	(84)	(284)
Dividends received from equity-accounted joint ventures and associates	64	154
Purchase of property, plant and equipment	(3,428)	(2,858)
Proceeds from sales of property, plant and equipment	2	3
Withdrawal/ (placement) of Islamic deposits	622	(622)
<b>Cash flows used in investing activities</b>	<b>(2,824)</b>	<b>(3,607)</b>
Dividends paid to:		
- PETRONAS	(875)	(824)
- others (third parties)	(485)	(456)
- non-controlling interests of subsidiaries	(773)	(146)
Payment to non-controlling interests on redemption of shares	(11)	(111)
Drawdown of revolving credit facility	8	30
Repayment of:		
- finance lease liabilities	(55)	(55)
- revolving credit facility	(16)	-
Payment for settlement of forward foreign exchange contract	(4,366)	-
Proceeds from settlement of forward foreign exchange contract	3,811	-
<b>Cash flows used in financing activities</b>	<b>(2,762)</b>	<b>(1,562)</b>
Net cash flows used in operating, investing and financing activities	(1,628)	(835)
Effects of foreign currency translation differences	294	(383)
Net decrease in cash and cash equivalents	(1,334)	(1,218)
Net foreign exchange differences on cash held	30	118
Cash and cash equivalents at beginning of the year	8,707	9,807
<b>Cash and cash equivalents at end of the year</b>	<b>7,403</b>	<b>8,707</b>

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

# QUARTERLY REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016



### 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 2015 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

Within the context of these unaudited condensed consolidated financial statements, the Group comprises the Company and its subsidiaries, and the Group's interest in joint ventures and associates as at end for the quarter and year ended 31 December 2016.

#### 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 2015.

As of 1 January 2016, 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 January 2016.

##### **Effective for annual periods beginning on or after 1 January 2016**

Amendments to MFRS 5	<i>Non-current Assets held for Sale and Discontinued Operations (Annual Improvements 2012 – 2014 Cycle)</i>
Amendments to MFRS 7	<i>Financial Instruments: Disclosures (Annual Improvements 2012 – 2014 Cycle)</i>
Amendments to MFRS 11	<i>Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to MFRS 101	<i>Presentation of Financial Statements - Disclosure Initiative</i>
Amendments to MFRS 116 and MFRS 138	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to MFRS 119	<i>Employee Benefits (Annual Improvements 2012 – 2014 Cycle)</i>
Amendments to MFRS 127	<i>Separate Financial Statements: Equity Method in Separate Financial Statements</i>
Amendments to MFRS 134	<i>Interim Financial Reporting (Annual Improvements 2012 – 2014 Cycle)</i>

#### A3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of PCG and its subsidiaries for the year ended 31 December 2015 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.



# QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016



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

### A5. EXCEPTIONAL ITEMS

There was no exceptional item during the year under review.

### 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 2015 that may have a material effect in the results of the quarter under review.

### A7. DEBT AND EQUITY SECURITIES

There were no material issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the quarter under review.

### A8. DIVIDEND PAID

During the year under review, the Company paid:

- (i) A second interim single tier dividend of 10 sen per ordinary share amounting to RM800 million in respect of the financial year ended 31 December 2015 to shareholders on 23 March 2016.
- (ii) A first interim single tier dividend of 7 sen per ordinary share amounting to RM560 million in respect of the financial year ended 31 December 2016 to shareholders on 7 September 2016.

### A9. OPERATING SEGMENTS

- Olefins and Derivatives – activities include manufacturing and marketing of a wide range of olefins, intermediate, basic and high performance chemicals, and polymer products.
- Fertilisers and Methanol – activities include manufacturing and marketing of methanol and a range of nitrogen, phosphate and compound fertilisers.
- Others – other non-reportable segments comprise operations related to investment holding company and port services which provide product distribution infrastructure to the Group.

#### 9.1 Revenue

<i>In RM Mil</i>	2016		2015		Year ended 31 December	
	2016	2015	2016	2015	2016	2015
	Third Parties		Inter-segment		Gross Total	
Olefins and Derivatives	9,744	9,495	13	12	9,757	9,507
Fertilisers and Methanol	4,063	3,995	165	192	4,228	4,187
Others	53	46	45	40	98	86
<b>Total</b>	<b>13,860</b>	<b>13,536</b>	<b>223</b>	<b>244</b>	<b>14,083</b>	<b>13,780</b>

# QUARTERLY REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016



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

#### A9. OPERATING SEGMENTS (continued)

##### 9.2 Segment Profit for the Year<sup>1</sup>

<i>In RM Mil</i>	Year ended 31 December	
	2016	2015
Olefins and Derivatives	2,159	1,993
Fertilisers and Methanol	999	1,059
Others	64	39
<b>Total</b>	<b>3,222</b>	<b>3,091</b>

#### A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment for the year under review. As at 31 December 2016, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

#### A11. SIGNIFICANT EVENT

On 14 April 2016, the Group announced the cancellation of a proposed elastomers project which is part of the Refinery and Petrochemicals Integrated Development (RAPID) project in Pengerang, Johor.

In line with the cancellation of the project, the Group has recognised a write-off on total assets for the year amounting to RM244 million.

Further details of the project cancellation can be found in a separate Bursa Announcement issued on 14 April 2016.

#### A12. CONTINGENCIES

There were no material contingent liabilities or contingent assets since the last consolidated statement of financial position as at 31 December 2015.

#### A13. CHANGES IN COMPOSITION OF THE GROUP

On 5 August 2016, the Group, via its wholly-owned subsidiary PETRONAS Chemicals Marketing Sdn. Bhd., incorporated a wholly-owned subsidiary, PT PCM Kimia Indonesia ("PCMI") in Indonesia.

<sup>1</sup> Included within profit for the year for Olefins and Derivatives, Fertilisers and Methanol and Others segments are depreciation and amortisation expenses amounting to RM804 million (2015: RM800 million), RM519 million (2015: RM459 million) and RM19 million (2015: RM19 million) respectively.

# QUARTERLY REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016



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

#### A14. CAPITAL COMMITMENTS

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

<i>In RM Mil</i>	<u>As at 31.12.2016</u>	<u>As at 31.12.2015</u>
Property, plant and equipment:		
Approved and contracted for	6,216	7,843
Approved but not contracted for	4,719	9,401
	<u>10,935</u>	<u>17,244</u>

The amount as at 31 December 2016 includes RM9,302 million (2015: RM14,666 million) relating to the development of petrochemical plants which are part of the RAPID project in Pengerang, Johor and RM770 million (2015: RM1,458 million) for a new world scale fertiliser plant in Sipitang, Sabah.

The lower amount compared to 31 December 2015 was mainly due to cancellation of elastomers project (2015: RM5,155 million).

#### A15. FAIR VALUE INFORMATION

The carrying amounts of cash and cash equivalents, and 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 values 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 identifiable 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 Group recognises transfer between levels of fair value hierarchy as of the date of the event or change in circumstances that caused the transfer.

##### ***Forward foreign exchange contracts***

The fair value of forward foreign exchange contracts is based on the difference between the contracted forward rates and the mark-to-market 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.

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.

# QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016



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

**A15. FAIR VALUE INFORMATION (continued)**

**As at 31 December 2016**

*Fair value of financial instruments carried at fair value*

<i>In RM Mil</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>
<b>Financial assets</b>				
Forward foreign exchange contracts	-	15	-	15
<b>Financial liabilities</b>				
Forward foreign exchange contracts	-	(17)	-	(17)

*Fair value of financial instruments not carried at fair value*

<i>In RM Mil</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Carrying amount</u>	<u>Total fair value</u>
<b>Financial liabilities</b>					
Financial lease liabilities	-	-	(136)	(137)	(136)

**As at 31 December 2015**

*Fair value of financial instruments carried at fair value*

<i>In RM Mil</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total fair value</u>
<b>Financial assets</b>				
Forward foreign exchange contracts	-	9	-	9
<b>Financial liabilities</b>				
Forward foreign exchange contracts	-	(720)	-	(720)

*Fair value of financial instruments not carried at fair value*

<i>In RM Mil</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Carrying amount</u>	<u>Total fair value</u>
<b>Financial liabilities</b>					
Financial lease liabilities	-	-	(183)	(183)	(183)

# QUARTERLY REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016



### PART B – OTHER EXPLANATORY NOTES

#### B1. REVIEW OF GROUP PERFORMANCE

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

<i>In RM Mil</i>					Individual quarter ended 31 December	
	2016	2015 Group	2016 Olefins and Derivatives	2015	2016 Fertilisers and Methanol	2015
Revenue	3,947	3,449	2,831	2,439	1,147	1,056
Profit after tax	1,033	791	706	578	331	246
EBITDA <sup>2</sup>	1,484	1,020	1,068	781	425	338

The Group achieved very strong operational performance with higher plant utilisation of 96% compared to 86% in the corresponding quarter on the back of improved plant reliability and higher methane supply to its methanol facilities. Consequently, both production and sales volumes were higher.

Overall average product prices were lower compared to the corresponding quarter due to lower fertiliser and methanol prices. Nevertheless, Group revenue grew by RM498 million or 14% to RM3.9 billion as a result of higher volume and stronger US Dollar.

EBITDA surged RM464 million or 46% to RM1.5 billion on higher sales volumes, lower unit cost, favourable spreads and stronger US Dollar. Similarly, profit after tax for the quarter was also higher by RM242 million or 31% at RM1.0 billion.

#### Olefins and Derivatives

The segment recorded exceptional operational performance with 100% plant utilisation for the quarter compared to 95% in the corresponding quarter. Production and sales volumes were higher in line with improved plant utilisation.

Average product prices increased with the recovery in crude oil prices. As a result of higher volumes and prices, revenue increased by RM392 million or 16% to RM2.8 billion.

EBITDA was higher than corresponding quarter by RM287 million or 37% at RM1.1 billion driven by higher spreads, higher volume and stronger US Dollar. Profit after tax rose also by RM128 million or 22% to RM706 million.

#### Fertilisers and Methanol

The segment registered significantly higher plant utilisation of 89% for the quarter compared to 79% in the corresponding quarter, mainly attributable to higher methane supply to the methanol facilities. As a result of improved plant utilisation, both production and sales volumes increased.

Average product prices softened as market conditions remained challenging. Methanol price firmed in line with crude oil price coupled with tight regional supply whilst ammonia and urea prices were adversely affected by oversupply in the market following new capacity additions. Despite market headwinds, revenue increased by RM91 million or 9% to RM1.1 billion as a result of higher volumes and stronger US Dollar.

Correspondingly, EBITDA and profit after tax improved by RM87 million or 26% to RM425 million and by RM85 million or 35% to RM331 million respectively.

<sup>2</sup> 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.

# QUARTERLY REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016



### PART B – OTHER EXPLANATORY NOTES (continued)

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

##### (b) Performance of the current year against the corresponding year

<i>In RM Mil</i>	2016		2015		Year ended 31 December	
	Group	Olefins and Derivatives	Group	Olefins and Derivatives	2016	2015
Revenue	13,860	9,757	13,536	9,507	4,228	4,187
Profit after tax	3,222	2,159	3,091	1,993	999	1,059
EBITDA <sup>3</sup>	5,291	3,805	4,660	3,209	1,530	1,549

The Group's plant utilisation for the year of 96% surpassed the corresponding year of 85% as a result of better plant reliability and improved feedstock supply. Both production and sales volumes were higher in line with plant utilisation.

Average product prices decreased following weaker crude oil price. Group revenue, however, was higher by RM324 million or 2% at RM13.9 billion compared to the corresponding year as higher sales volume coupled with stronger US Dollar mitigated the lower prices.

EBITDA rose by RM631 mil or 14% to RM5.3 billion on higher sales volume, lower unit cost and stronger US Dollar, despite lower spreads. Profit after tax, which includes assets write-off amounting to RM244 million, increased by RM131 million or 4% to RM3.2 billion. Excluding the write-off, profit after tax for the year would have been higher by RM375 million or 12% at RM3.5 billion.

#### Olefins and Derivatives

The segment attained 100% plant utilisation compared to 93% in the corresponding year with improved plant reliability and higher ethane supply. These offset the impact of statutory turnaround activities conducted at its propane dehydrogenation (PDH) and aromatics plants during the year. Correspondingly, production and sales volumes were higher.

Average product prices were adversely affected by the weaker crude oil price. Nevertheless, revenue increased by RM250 million or 3% to RM9.8 billion driven by higher sales volume and stronger US Dollar.

EBITDA increased by RM596 million or 19% to RM3.8 billion on the back of higher sales volume and stronger US Dollar, despite narrower spreads. Profit after tax, which includes assets write-off amounting to RM244 million, increased by RM166 million or 8% to RM2.2 billion. Excluding the write-off, profit after tax for the year would have been higher by RM410 million or 21% at RM2.4 billion.

<sup>3</sup> 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.

# QUARTERLY REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016



### PART B – OTHER EXPLANATORY NOTES (continued)

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

##### (b) Performance of the current year against the corresponding year (continued)

###### Fertilisers and Methanol

Segment plant utilisation improved significantly at 93% compared to 80% in the corresponding year, attributable to higher methane supply at the methanol facilities and lower level of statutory turnaround activities. Consequently, both production and sales volumes were higher.

Product prices declined across the board, reflecting softer market conditions. Methanol prices were affected by lower demand whilst urea and ammonia prices were lower as a result of oversupply in the market due to new capacities. Revenue was nonetheless sustained, registering a slight increase of RM41 million or 1% to RM4.2 billion as higher sales volume and stronger US Dollar negated the impact of lower prices.

EBITDA and profit after tax for the year were slightly lower by RM19 million or 1% to RM1.5 billion and RM60 million or 6% to RM999 million respectively on lower spreads.

#### B2. VARIATION OF RESULTS AGAINST THE PRECEDING QUARTER

<i>In RM Mil</i>	Individual quarter ended	
	31 December 2016	30 September 2016
Revenue	3,947	3,564
Profit after tax	1,033	985
EBITDA <sup>4</sup>	1,484	1,457

The Group's plant utilisation stood at 96% against 100% in the preceding quarter as a result of higher level of turnaround activities, offset by improved feedstock supply. Accordingly, production and sales volumes were lower.

Average product prices remained stable, showing slight recovery against the preceding quarter with firming crude oil price. Group revenue grew by RM383 million or 11% at RM3.9 billion on higher prices and stronger US Dollar, negated by lower sales volume.

Following higher revenue, EBITDA increased by RM27 million or 2% to RM1.5 billion whilst profit after tax rose by RM48 million or 5% to RM1.0 billion respectively.

#### B3. COMMENTARY ON PROSPECTS

The results of the Group's operations are expected to be primarily influenced by global economic conditions, utilisation rate of our production facilities and petrochemical products prices which have a high correlation to crude oil prices, particularly for the Olefins and Derivatives segment.

The utilisation of our production facilities is dependent on plant maintenance activities and sufficient availability of feedstock as well as utilities supply. The Group will continue with its operational excellence programme and supplier relationship management to sustain plant utilisation level at above industry benchmark, albeit slightly lower than 2016 due to higher statutory turnarounds planned.

The Group will also commence operations at its new world scale fertiliser plant in Sipitang, Sabah in the first quarter of 2017.

<sup>4</sup> 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.

# QUARTERLY REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016



### PART B – OTHER EXPLANATORY NOTES (continued)

#### B3. COMMENTARY ON PROSPECTS (continued)

##### Olefins and Derivatives

The Group anticipates the olefins and derivatives market to be bullish in the near term, with support from stable crude oil outlook coupled with supply limitation in the key markets.

##### Fertilisers and Methanol

The fertiliser market is likely to firm on the back of seasonal demand from key US and China markets amidst supply tightness.

Methanol price is anticipated to stabilise given robust downstream demand for methanol-to-olefins (MTO) application and supply limitation despite softer demand from derivative sector.

#### B4. PROFIT FORECAST OR PROFIT GUARANTEE

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

#### B5. OPERATING PROFIT

<i>In RM Mil</i>	Individual quarter ended 31 December		Year ended 31 December	
	2016	2015	2016	2015
<b>Included in operating profit are the following charges:</b>				
Depreciation and amortisation	349	338	1,335	1,277
Amortisation of intangible assets	-	1	2	2
Loss on foreign exchange:				
- Realised	-	11	-	13
- Unrealised	37	-	2	26
Inventory write down to net realisable value	2	21	2	21
Loss on disposal of property, plant and equipment	-	10	4	13
Property, plant and equipment written-off	3	-	244	5
Impairment losses on property, plant and equipment	5	-	5	-
<b>and credits:</b>				
Interest income	66	134	261	360
Other income	3	26	12	36
Gain on foreign exchange:				
- Realised	13	-	17	-
- Unrealised	-	7	-	-
Reversal of provisions for plant decommissioning and onerous contracts	7	65	63	65

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



# QUARTERLY REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016



### PART B – OTHER EXPLANATORY NOTES (continued)

#### B6. NET FINANCING COST/ (INCOME)

<i>In RM Mil</i>	Individual quarter ended 31 December		Year ended 31 December	
	2016	2015	2016	2015
Unwinding of discount factor for other long term liabilities and provisions	12	6	21	29
Unrealised (gain)/loss on forward foreign exchange contract	-	(137)	-	618
Net realised loss/(gain) on forward foreign exchange contract	58		(160)	-
Unrealised foreign exchange loss/(gain) on loan to a subsidiary	-	131	-	(636)
Realised foreign exchange (gain)/loss on loan to a subsidiary	(62)	-	91	-
Interest on revolving credit facility	1	-	1	-
	<b>9</b>	<b>-</b>	<b>(47)</b>	<b>11</b>

Unrealised loss or gain on forward exchange contract arise from forward exchange contracts entered in relation to loan due from a subsidiary.

#### B7. TAX EXPENSE

<i>In RM Mil</i>	Individual quarter ended 31 December		Year ended 31 December	
	2016	2015	2016	2015
<b>Current tax expenses</b>				
Current period tax	170	171	913	841
Over provision in respect of prior periods	(8)	(55)	(22)	(62)
	<b>162</b>	<b>116</b>	<b>891</b>	<b>779</b>
<b>Deferred tax expenses</b>				
Origination and reversal of temporary differences	(78)	(5)	(64)	(74)
Under provision in respect of prior periods	56	10	61	37
	<b>(22)</b>	<b>5</b>	<b>(3)</b>	<b>(37)</b>
	<b>140</b>	<b>121</b>	<b>888</b>	<b>742</b>

The Group's effective tax rates for the year ended 31 December 2016 and 2015 were 22% and 19% respectively.

#### B8. SALES OF UNQUOTED INVESTMENTS/PROPERTIES

There were no material disposals of unquoted investments or properties by the Group for the year under review.

#### B9. QUOTED SECURITIES

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

#### B10. STATUS OF CORPORATE PROPOSALS

During the first quarter, the Board approved the merger of two wholly-owned subsidiaries, namely PRPC Polymers Sdn. Bhd. (PRPC Polymers) and PRPC Glycols Sdn. Bhd. (PRPC Glycols) in order to enhance operational efficiency. The merger was completed on 25 August 2016 via transfer of assets from PRPC Glycols to PRPC Polymers.

# QUARTERLY REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016



### PART B – OTHER EXPLANATORY NOTES (continued)

#### B11. BORROWINGS

The details of the Group borrowings are as follows:

<i>In RM Mil</i>	<b>As at 31.12.2016</b>	<b>As at 31.12.2015</b>
Revolving credit facility - unsecured	<u>23</u>	<u>30</u>

#### B12. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments as at the date of this report is as disclosed in Note A15.

#### 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 and year ended 31 December 2016.

#### B14. 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 disclosed as follows:

<i>In RM Mil</i>	<b>As at 31.12.2016</b>	<b>As at 31.12.2015</b>
<b>Total retained profits/(losses) of the Group</b>		
Realised	20,774	19,348
Unrealised	(492)	(518)
	<u>20,282</u>	<u>18,830</u>
<b>Total share retained profits/(losses) from associates and joint ventures</b>		
Realised	155	199
Unrealised	(26)	(19)
	<u>129</u>	<u>180</u>
<b>Total realised and unrealised</b>	20,411	19,010
Less: Consolidation adjustments	(3,663)	(3,817)
<b>Total group retained profits as per consolidated account</b>	<u>16,748</u>	<u>15,193</u>

#### B15. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There was no off balance sheet financial instrument for the quarter and year ended 31 December 2016.

# QUARTERLY REPORT

## FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2016



### PART B – OTHER EXPLANATORY NOTES (continued)

#### 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 2015.

#### B17. DIVIDENDS

The Directors of the Company has declared a second interim single tier dividend of 12 sen per ordinary share, amounting to RM960 million to shareholders for the year ended 31 December 2016 (2015 : second interim single tier dividend for the year ended 31 December 2015 of 10 sen per share, amounting to RM800 million).

The dividends are payable on 21 March 2017 to depositors registered in the Records of Depositors at the close of business on 7 March 2017.

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

- Shares transferred into the Depositor's Securities Account before 4.00 pm on 7 March 2017 in respect of ordinary transfers.
- Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

#### B18. BASIC EARNINGS PER SHARE

<i>In RM Mil</i>	Individual quarter ended 31 December		Year ended 31 December	
	2016	2015	2016	2015
Profit for the period attributable to shareholders of the Company	987	704	2,932	2,782
<b>Earnings per share attributable to shareholders of the Company:</b>				
<i>In millions of shares</i>				
Number of ordinary shares issued	8,000	8,000	8,000	8,000
Basic earnings per share (sen)	12	9	37	35

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.

#### B19. EXCHANGE RATES

USD/MYR	31.12.2016	Individual quarter ended		31.12.2016	Year ended 31.12.2015
		30.9.2016	31.12.2015		
Average rate	4.3214	4.0510	4.2857	4.1459	3.9032
Closing rate	4.4845	4.1465	4.2940	4.4845	4.2940

#### By order of the Board

Noor Lily Zuriati Binti Abdullah (LS0009795)  
Kang Shew Meng (MAICSA 0778565)  
Joint Secretaries

Kuala Lumpur  
20 February 2017