




ANNUAL REPORT
FOR THE PERIOD ENDED
31 DECEMBER 2011

Strength in Diversity



The vibrant hexagons on the cover represent the chemical molecules that are at the core of PETRONAS Chemicals Group Berhad (PCG)'s businesses. Their six-sided shape symbolises the diversity of PCG's intrinsic strengths that make us highly resilient, as we continue to grow sustainably on our journey towards becoming the Asia Pacific integrated Chemical Champion.

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Our Vision

The Asia Pacific integrated Chemical Champion delivering customer driven sustainable solutions through distinctive operational and marketing excellence.

Growing from Strength to Strength

PCG shall continue to strengthen our leadership position by delivering sustainable solutions through distinctive operational and marketing excellence, capitalising on our strategic locations and fully integrated facilities.

**FULLY INTEGRATED
FACILITIES RESULTING
IN OPERATIONAL
EFFICIENCIES**

**MARKET LEADERSHIP POSITION
IN SOUTH EAST ASIA**

**ADVANTAGEOUS GAS
FEEDSTOCK**

**STRONG
PARTNERSHIPS
WITH LEADING
CHEMICALS AND
ENERGY MAJORS**

**STRATEGIC LOCATION CLOSE
TO KEY GROWTH MARKETS**

**PARENTAGE AND SUPPORT
OF PETRONAS GROUP**

**STRONG AND EXPERIENCED
LEADERSHIP TEAM**

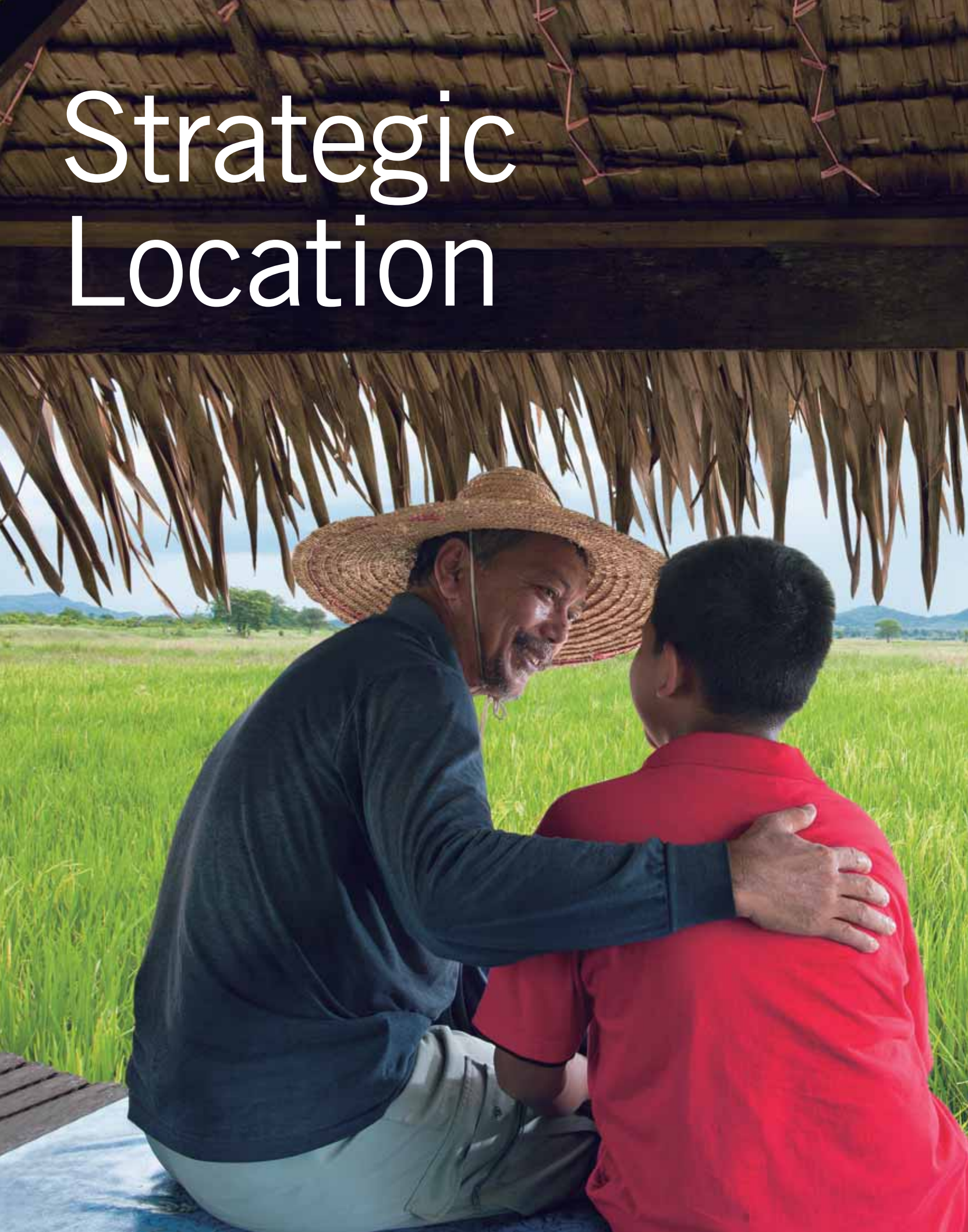
**ATTRACTIVE FINANCIAL
PROFILE**




Our fully integrated facilities
maximise the integration of
infrastructure, processes,
energy and waste management,
promoting operational efficiency
and cost savings across
the value chain.

Integrated Facilities





Strategic Location



Strategically located close to key growth markets of Asia, PCG offers advantages in terms of proximity, logistic costs and delivery time, as well as delivery size flexibility.

With demand in Asia Pacific exceeding the global growth for all products that we manufacture, PCG is well positioned to capitalise on growth opportunities within the region.



Being part of PETRONAS
offers us the opportunities
to tap its vast resources
and capitalise on synergies
within PETRONAS Group.

Strong Foundations



As one of the leading producers of olefins, polymers, specialty chemicals, fertilisers and methanol, PCG is committed to lead the way in creating a sustainable future for society by delivering chemical solutions which form the building blocks of products used in everyday life.

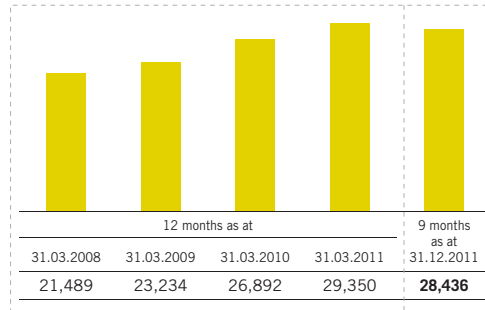
Sustainable Future



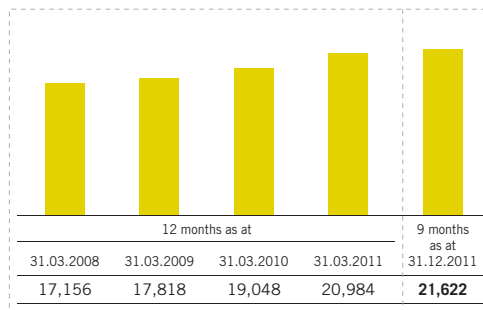


Financial Highlights

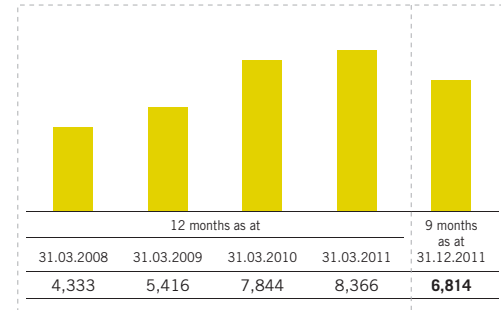
Total Assets (RM million)



Total Equity (RM million)



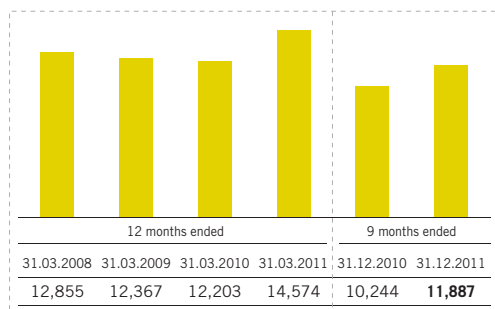
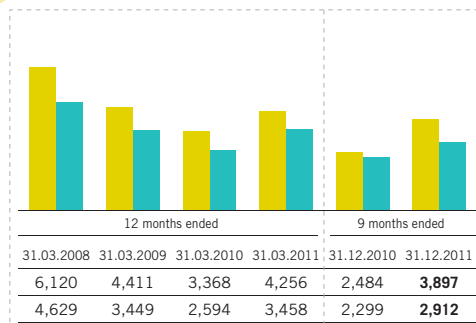
Total Liabilities (RM million)



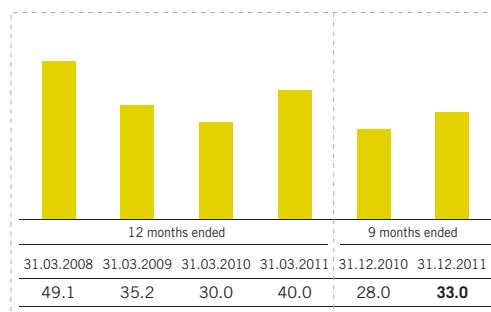
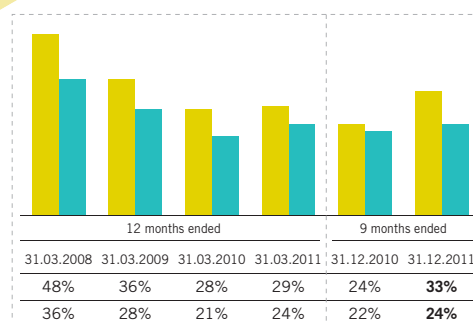
Note: Comparative figures for 2008, 2009 and 2010 are based on the combined financial statements of the Group.

Statement of financial position items:			Group		
RM million	12 months as at 31.03.2008	12 months as at 31.03.2009	12 months as at 31.03.2010	12 months as at 31.03.2011	9 months as at 31.12.2011
Total assets	21,489	23,234	26,892	29,350	28,436
Total equity	17,156	17,818	19,048	20,984	21,622
Total liabilities	4,333	5,416	7,844	8,366	6,814

FINANCIAL HIGHLIGHTS

Revenue
(RM million)**Profit**
(RM million)

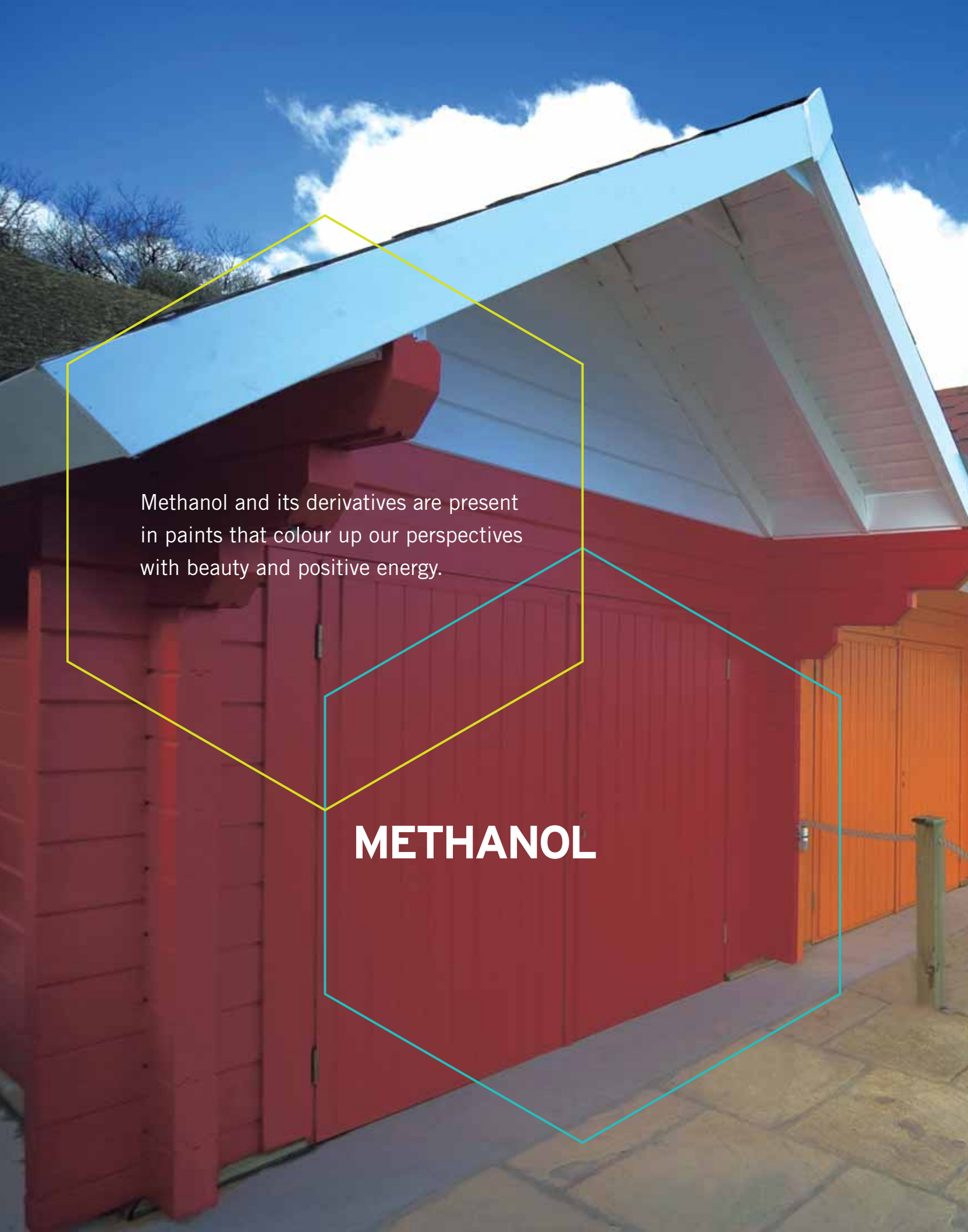
Profit before tax
Profit after tax

Earnings Per Share
(sen)**Profit as % Revenue**

Before tax
After tax

Note: Comparative figures for 2008, 2009 and 2010 are based on the combined financial statements of the Group.

Statement of comprehensive income items:			Group			
RM million	12 months ended 31.03.2008	12 months ended 31.03.2009	12 months ended 31.03.2010	12 months ended 31.03.2011	9 months ended 31.12.2010	9 months ended 31.12.2011
Revenue	12,855	12,367	12,203	14,574	10,244	11,887
Profit before tax	6,120	4,411	3,368	4,256	2,484	3,897
Profit before tax as % Revenue	48%	36%	28%	29%	24%	33%
Profit after tax	4,629	3,449	2,594	3,458	2,299	2,912
Profit after tax as % Revenue	36%	28%	21%	24%	22%	24%
Earnings per share (sen) - Basic	49.1	35.2	30.0	40.0	28.0	33.0
EBITDA	6,834	5,155	3,803	4,674	3,207	4,508
EBITDA margin	53%	42%	31%	32%	31%	38%

A photograph of a red wooden building with a white roof, set against a blue sky with white clouds. A yellow hexagonal graphic is overlaid on the image, framing the text. The building has a white eave and a red door. The ground is paved with light-colored stones.

Methanol and its derivatives are present in paints that colour up our perspectives with beauty and positive energy.

METHANOL



About PCG

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PCG

at a Glance

PCG is the leading integrated chemicals producer in Malaysia and one of the largest in South East Asia. We operate a number of world class production sites, which are fully integrated from feedstock to downstream end-products. With a total combined production capacity of over 11 million metric tons per annum (mtpa), we are involved primarily in manufacturing, marketing and selling a diversified range of chemical products, including olefins, polymers, fertilisers, methanol and other basic chemicals and derivative products.

Listed on Bursa Malaysia Securities Berhad and with over 25 years of experience in the chemicals industry, PCG was established as part of the PETRONAS Group to maximise value from Malaysia's natural gas resources.



Quick Facts

- Comprises of 24 companies producing a wide range of chemical products.
- Two major operating business segments:
 1. Olefins and Derivatives
 2. Fertilisers and Methanol
- Operates two integrated petrochemical complexes, one in Kertih and the other in Gebeng.
- Three manufacturing complexes in Gurun - Kedah, Bintulu - Sarawak and Labuan that produce fertilisers and methanol.
- A manufacturing plant overseas in Vung Tau, Vietnam.
- Total production capacity of over 11 million mtpa.
- The largest producer of methanol by volume in South East Asia and fourth largest in the world.
- The third largest producer in South East Asia by volume for urea and largest producer of LDPE in South East Asia based on installed capacity.
- Market leader in the Malaysian petrochemicals industry based on the sale of urea, glycols and methanol.
- Sole producer of methanol, urea, paraxylene, MTBE and certain specialty chemicals in Malaysia.
- Joint-venture partners include BASF, BP Chemicals, Idemitsu Kosan, Mitsubishi Corporation and Sasol Limited.

**GURUN**

- Methanol
- Ammonia
- Urea

PASIR GUDANG

- Styrene Monomer

GEBENG INTEGRATED PETROCHEMICAL COMPLEX (IPC)

- Methyl Tertiary Butyl Ether
- Propylene
- Polypropylene
- Acrylics
- Oxo-alcohols
- Butyl Glycol Ethers
- Butyl Acetate
- Butanediol

KERTIH INTEGRATED PETROCHEMICAL COMPLEX (IPC)

- Ethylene
- Polyethylene
- Benzene
- Paraxylene
- Vinyl Chloride Monomer
- Polyvinyl Chloride
- Propylene
- Ammonia
- Oxogas
- Ethylene Glycols
- Acetic Acid
- Butanol
- Glycol Ethers
- Butyl Acetate
- Ethanolamines
- Other Performance Chemicals

EAST MALAYSIA LABUAN & BINTULU

- Methanol
- Ammonia
- Urea

VUNG TAU, VIETNAM

- Polyvinyl Chloride

Our Operations



Our Reach

We market a broad range of chemical products to customers in more than 25 countries.

Our major markets outside Malaysia include ASEAN countries such as Indonesia, Philippines, Singapore, Thailand and Vietnam, as well as Australia, China, India and Taiwan.

OUR PRODUCTS PORTFOLIO

Our Olefins and Derivatives segment manufactures and sells a wide range of olefin and polymer products, from ethylene and propylene, which are used as basic feedstock for other products, to intermediate products such as ethylene oxide, ethylene glycol, butanol chemicals, as well as various ethylene oxide derivatives, including basic high performance chemicals.

Key products in our Olefins and Derivatives segment include the following:

OLEFINS AND DERIVATIVES			
Product	Description	Feedstock	Primary End Uses
Ethylene	An olefinic hydrocarbon recovered from petrochemical processes in the form of a colourless gas	Ethane	Feedstock for production of polyethylene and other derivatives, including ethylene oxide, an intermediate product in the production of ethylene glycol, ethyl alcohol, brake fluids, surfactants and synthetic motor oils; also used to produce styrene, a raw material used in the production of plastic and rubber goods
Propylene	An olefinic hydrocarbon recovered from petrochemical processes in the form of a colourless gas	Propane	Feedstock for the production of polypropylene, acrylic acids, acrylic esters and oxo-alcohols
Polyethylene (LLDPE, HDPE, LDPE)	A polymer derived from polymerisation of ethylene	Ethylene	Feedstock in the manufacture of plastic products, including film, pipes, wires, cables and ducting
Polypropylene	A polymer derived from polymerisation of propylene	Propylene	Feedstock in manufacture of woven bags, plastics, films, ropes, yarn, chairs, food and garment packaging and other industrial and consumer products
Mono-Ethylene Glycol (MEG)	An organic chemical compound derived from the oxidation of ethylene	Ethylene, oxygen	Polyester resins for fibres and PET containers and bottles, antifreeze, electronic applications and brake fluid formulation
Di-Ethylene Glycols (DEG)	An organic chemical compound derived from the oxidation of ethylene	Ethylene, oxygen	Fibreglass application and brake fluid formulation
Vinyl Chloride Monomer	Colourless reactive gas primarily used to manufacture Polyvinyl Chloride	Ethyl Dichloride, ethylene, oxygen	Feedstock in production of Polyvinyl Chloride
Polyvinyl Chloride	A versatile thermoplastic polymer produced from Vinyl Chloride Monomer	Vinyl Chloride Monomer	Feedstock in manufacture of pipes, pipe and conduit fittings, automobiles parts, blow moulding, roofing tiles, bottles, containers, films, wires and cables
Paraxylene	An aromatic hydrocarbon in the form of a colourless, flammable liquid	Heavy naphtha	Production of purified terephthalic acid, which in turn is used in the manufacture of polyester for packaging applications, soft drink bottles, fibres and film
Benzene	An aromatic hydrocarbon in the form of a colourless, flammable liquid	Heavy naphtha	Feedstock for styrene monomer production and raw material for derivatives used in manufacture of disposable food containers, cutlery, packing electrical appliances and tyres
Methyl Tertiary Butyl Ether	An organic ether that is volatile, combustible in the form of a colourless liquid that is categorised as an oxygenate due to its ability to boost the oxygen content and octane rating of gasoline	Butane, methanol	Gasoline additive to boost octane levels to improve burning of fuel and reduce level of emissions
N-Butane	Highly flammable, colourless gas	Butane	Feedstock for production of butanediol
Performance chemicals	Chemicals produced in smaller volume with higher unit values and used for critical applications requiring stringent performance	Ethylene oxide	Production of surfactants, personal care products, urethane foam, cement and construction applications, detergents and emulsifiers

OUR PRODUCTS PORTFOLIO

Our Fertilisers and Methanol segment produces and sells methanol and a range of nitrogen, phosphate and compounded fertilisers. Key products in our Fertilisers and Methanol segment include the following:

FERTILISERS AND METHANOL			
Product	Description	Feedstock	Primary End Uses
Urea	A fertiliser with a minimum nitrogen content of approximately 46% by weight	Ammonia, carbon dioxide	Commercial fertiliser used in the production of many crops; raw material for the manufacture of adhesives, moulding powders, varnishes and foams
Ammonia	A nitrogen and hydrogen compound in the form of colourless gas with a characteristic pungent odour	Methane, hydrogen and nitrogen	Feedstock for the production of urea and other industrial applications, including as a refrigerant and latex anti-coagulant
Methanol	Simplest organic alcohol and is a colourless, flammable liquid	Methane	Use in the production of formaldehyde, acetic acid, chloromethanes and methyl methacrylate, which are used in the producing, among other things, resins, adhesives, paints, plastics, flavourings, silicones and plexiglass
Carbon monoxide	Colourless, odourless and tasteless gas that is lighter than air	Methane	Feedstock for production of acetic acid
Oxo gas	Gas consisting primarily of carbon monoxide and hydrogen	Methane	Feedstock for production of butanol
Acetic acid (Produced by our Jointly Controlled Entity)	Chemical intermediate in the form of colourless liquid	Methanol and carbon monoxide	Raw material for petrochemical intermediates and end-products, including vinyl acetate monomer for coatings and adhesives, purified terephthalic acid for polyester production, acetate esters, cellulose acetate, acetic anhydride and monochloroacetic acid

In addition to the products listed above, our Associates and Jointly Controlled Entity produce and sell certain derivative products, including the following petrochemical products (all of these products are under O&D business):

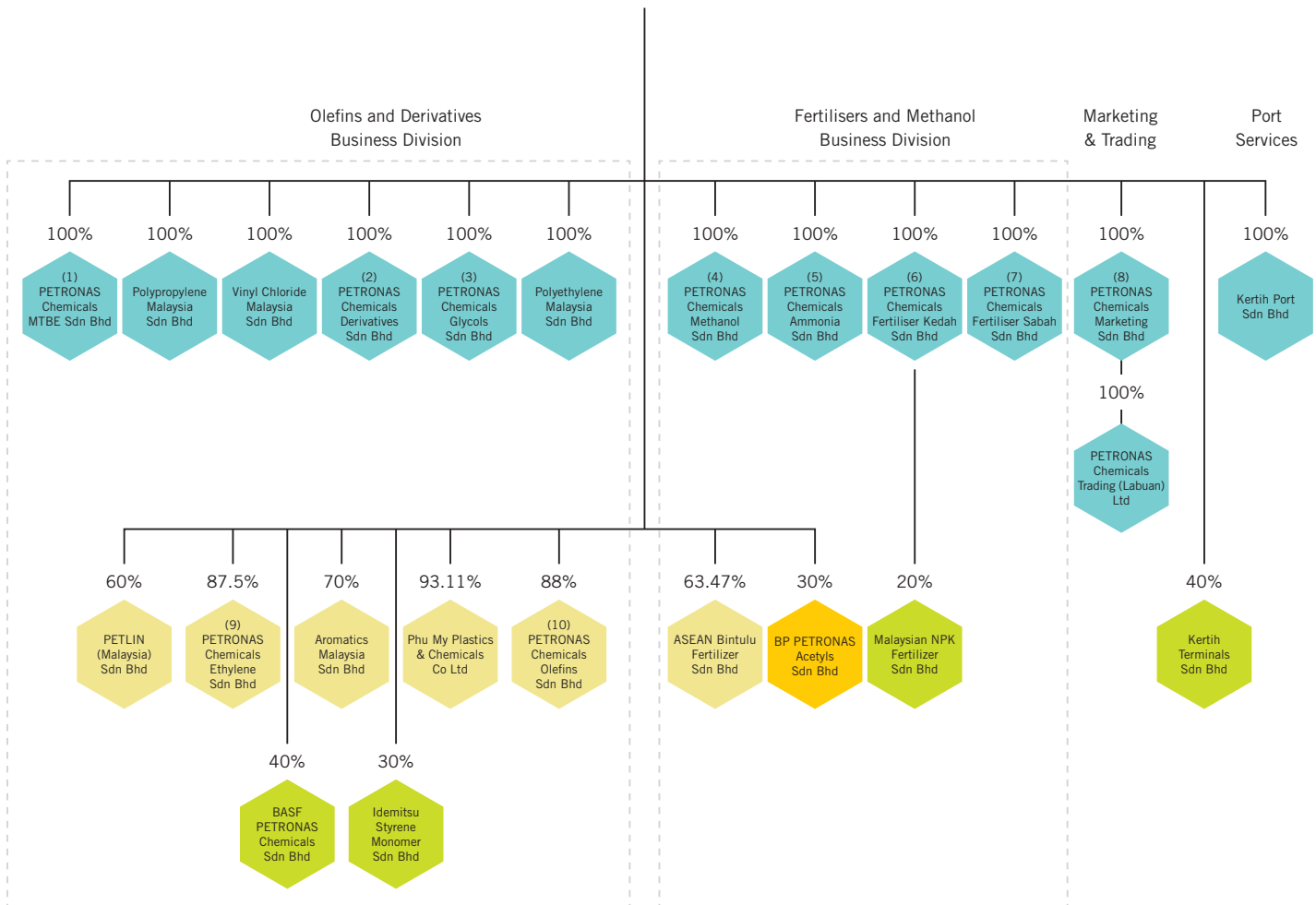
Product	Description	Feedstock	Primary End Uses
Acrylics*	Clear colourless liquid with a characteristic odour. Forms homopolymers and copolymers; readily undergoes polymerization and addition reactions with a wide variety of organic acid and inorganic compounds.	Propylene	Use in manufacturing superabsorbents, detergents, flocculants and fibres
Oxo-alcohols*	Clear and neutral liquid with a characteristic odour. It is miscible with all common solvents, eg alcohols, ketones, aldehydes, ethers, glycols and aromatic and aliphatics hydrocarbons. Its miscibility with water, however, is restricted.	Oxo gas and propylene	Use in coatings, pharmaceuticals and cosmetics.
Butanediol*	Colourless, volatile cycloaliphatic ether, neutral, highly polar with an odour characteristic of acetone. This hygroscopic diol is soluble in water, alcohols, esters, ketones, glycol ether and glycol ether acetates; immiscible in aromatic and aliphatics hydrocarbons and diethylether.	Butane	Production of polyesters and polyurethanes.
Styrene Monomer	Styrene Monomer is one of the important plastic raw materials in liquid form derived from complex petrochemical processes. It is a clear, colourless, flammable liquid, distinctive aromatic odour (harmful by inhalation) and has an irritant effect to respiratory system, eyes and skin.	Ethylene Benzene	Raw material for the production of polystyrene which is used to make electrical, electronics and engineering plastic parts and packaging containers. Used in high-impact plastic such as ABS, latex paints and most of the synthetic rubber.

* Source : BPC Product Specification and BASF factbook 2010

GROUP STRUCTURE



PETRONAS CHEMICALS GROUP BERHAD



- (1) formerly known as MTBE Malaysia Sdn Bhd
- (2) formerly known as OPTIMAL Chemicals (Malaysia) Sdn Bhd
- (3) formerly known as OPTIMAL Glycols (Malaysia) Sdn Bhd
- (4) formerly known as PETRONAS Methanol (Labuan) Sdn Bhd
- (5) formerly known as PETRONAS Ammonia Sdn Bhd
- (6) formerly known as PETRONAS Fertilizer (Kedah) Sdn Bhd
- (7) formerly known as Styrene Monomer (Malaysia) Sdn Bhd
- (8) formerly known as Malaysian International Trading Corporation Sdn Bhd
- (9) formerly known as Ethylene Malaysia Sdn Bhd
- (10) formerly known as OPTIMAL Olefins (Malaysia) Sdn Bhd

- Wholly-owned Subsidiaries
- Partly-owned Subsidiaries
- Associates
- Jointly Controlled Entity

CORPORATE INFORMATION

DIRECTORS

Datuk Wan Zulkiflee bin Wan Ariffin
(Chairman)

Dr Abd Hapiz bin Abdullah
(President/Chief Executive Officer)

Ir Kamarudin bin Zakaria

Md Arif bin Mahmood

Vimala a/p V.R. Menon

Ching Yew Chye

Dong Soo Kim

Pramod Kumar Karunakaran

Rashidah binti Alias @ Ahmad

COMPANY SECRETARIES

Muhammad Isa bin Othman

Kang Shew Meng

REGISTRAR

Symphony Share Registrars Sdn Bhd

Level 6, Symphony House

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47301 Petaling Jaya

Selangor Darul Ehsan

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Kuala Lumpur City Centre

50088 Kuala Lumpur

Malaysia

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Fax : (+603) 2051 3888

PRINCIPAL BANKERS

CIMB Bank Berhad

Malayan Banking Berhad

Citibank Berhad

RHB Bank Berhad

HSBC Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Main Market of

Bursa Malaysia Securities Berhad

AUDITORS

KPMG Desa Megat & Co

WEBSITE

www.petronaschemicals.com

BOARD AUDIT COMMITTEE

Vimala a/p V.R. Menon (Chairman)

Md Arif bin Mahmood

Ching Yew Chye

Dong Soo Kim

NOMINATION AND REMUNERATION COMMITTEE

Ching Yew Chye (Chairman)

Vimala a/p V.R. Menon

Dong Soo Kim

Board of Directors

Datuk Wan Zulkiflee
bin Wan Ariffin
(Chairman)



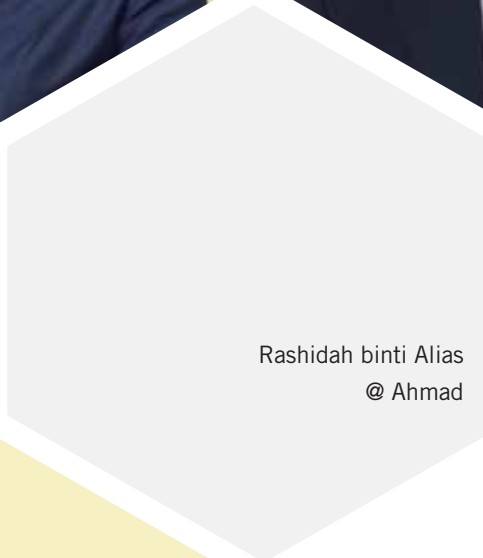
Dr Abd Hapiz
bin Abdullah
(President/CEO)



Vimala a/p
V.R. Menon



Ching Yew Chye



Rashidah binti Alias
@ Ahmad



Ir Kamarudin
bin Zakaria



Md Arif
bin Mahmood



Pramod Kumar
Karunakaran



Dong Soo Kim



Muhammad Isa
bin Othman
(Company Secretary)



Kang Shew Meng
(Company Secretary)



Directors' Profiles



Datuk Wan Zulkiflee bin Wan Ariffin, a Malaysian aged 51, is a Non-Independent Non-Executive Director. He was appointed as the Chairman of PETRONAS Chemicals Group Berhad on 22 June 2010.

He holds a Bachelor of Engineering Degree in Chemical Engineering from the University of Adelaide, South Australia. In 2000, he attended the INSEAD Senior Management Development Program and in 2004, he attended the Advanced Management Program at Harvard Business School, Harvard University. He was conferred the Honorary Fellowship by the Institution of Chemical Engineers, UK in November 2005.

He joined PETRONAS in 1983 as a Process Engineer involved in the development of several Gas Processing Plants. In the ensuing years, he has held various positions within the PETRONAS Group including serving in the Office of the President as Executive Assistant to the President, General Manager, International Projects Management Division of OGP Technical Services and General Manager for the Strategy and Business Development Unit. He was the Managing Director and Chief Executive Officer of a public listed subsidiary, PETRONAS Gas Berhad from 2003 to 2007 and Vice President of Gas Business from April 2006 till April 2010.

Datuk Wan Zulkiflee is currently the Chief Operating Officer of PETRONAS and the Executive Vice President for Downstream Business. He is a member of the PETRONAS Board, the Executive Committee, Management Committee and serves on various Boards of several Joint Ventures and subsidiary Companies in the PETRONAS Group. He holds the Chairmanship of another public listed subsidiary, PETRONAS Dagangan Berhad and is the Industry Advisor to the Engineering Faculty of University Putra Malaysia.

Datuk Wan Zulkiflee bin Wan Ariffin was appointed to the Board of PETRONAS Chemicals Group Berhad on 15 December 2008. During the financial period, he has attended five Board meetings.



Dr Abd Hapiz bin Abdullah, a Malaysian aged 54, is an Executive Director. He was appointed as the President/Chief Executive Officer of PETRONAS Chemicals Group Berhad on 1 May 2011.

He holds a Doctor of Philosophy in Organic Chemistry from Utah State University, USA and a Bachelor of Science in Chemistry from University of Nevada, USA.

He has over 26 years of technical, marketing and business development experience in the chemical manufacturing industry. In 1985, he joined Dow Chemical Malaysia and held several positions including as Regional Asia Pacific Technical Manager for Dow Chemical Polyolefins Asia Pacific and as Regional Asia Pacific Marketing Manager for Dow Chemical Polyolefins Asia Pacific. From 1995 to March 2011, he was with DuPont Malaysia Sdn Bhd. Over the last 15 years in DuPont Malaysia Sdn Bhd, Dr Abd Hapiz bin Abdullah held several senior positions from General Manager to Country Manager for Malaysia and in 1999, he was the Managing Director of DuPont Malaysia Sdn Bhd and Regional Manager, Asia Pacific Packaging & Industrial Polymer. His last position held in DuPont Malaysia Sdn Bhd since 2007 was as the Managing Director of DuPont Malaysia Sdn Bhd and Regional Director, DuPont Asia Pacific Glass Laminating Solution.

He is currently the Chairman of Chemical Industries Council of Malaysia (CICM).

Dr Abd Hapiz bin Abdullah was appointed to the Board of PETRONAS Chemicals Group Berhad on 1 May 2011. During the financial period, he attended five Board meetings. He had also completed the Mandatory Accreditation Programme required by Bursa Malaysia Securities Berhad.

Ir Kamarudin bin Zakaria, a Malaysian aged 58, is a Non-Independent Non-Executive Director. He holds a Bachelor of Science (Honours) degree in Chemical Engineering from the University of Surrey, UK.

He joined PETRONAS in 1984 and is currently the Vice President of Downstream Operations of PETRONAS. Prior to assuming this position, he has held various senior positions in PETRONAS including as the Vice President of the Petrochemical Business of PETRONAS, the General Manager (Plant) at ASEAN Bintulu Fertilizer Sdn Bhd in Sarawak and the General Manager (Refinery) of PETRONAS Penapisan (Melaka) Sdn Bhd. He also served as the General Manager (Plant) and as the Chief Executive Officer of PETRONAS Penapisan (Terengganu) Sdn Bhd as well as Senior General Manager, PETRONAS Group Technology Solution. He has been a member of the Management Committee of PETRONAS from 2007 to 2010. Currently, he also sits on the Board of several other companies within the PETRONAS Group.

He is a Fellow of the Institute of Chemical Engineers, UK. In addition to being a professional engineer, he is also registered with the Board of Engineers Malaysia.

Ir Kamarudin bin Zakaria was appointed to the Board of PETRONAS Chemicals Group Berhad on 23 October 2007. During the financial period, he attended seven Board meetings.



DIRECTORS' PROFILE



Md Arif bin Mahmood, a Malaysian aged 49, is a Non-Independent Non-Executive Director and a member of the Board Audit Committee.

He holds a Master of Business Administration from Massachusetts Institute of Technology, USA and a Bachelor of Science degree in Electrical Engineering from Boston University, USA.

He joined PETRONAS in 1984 and is currently the Vice President of Corporate Strategic Planning, PETRONAS. Prior to assuming this position, he has held various senior positions in PETRONAS including Vice President of Oil Business, Managing Director/Chief Executive Officer of ASEAN Bintulu Fertilizer Sdn Bhd, Senior General Manager for Retail Business Division of PETRONAS Dagangan Berhad, and General Manager (Gas Processing – Plant B) of PETRONAS Gas Berhad. Currently, he is also a member of the Management Committee of PETRONAS and he sits on the Board of several other companies within the PETRONAS Group.

Md Arif bin Mahmood was appointed to the Board of PETRONAS Chemicals Group Berhad on 15 December 2008. During the financial period, he attended seven Board meetings and four Board Audit Committee meetings.

Vimala a/p V.R. Menon, a Malaysian aged 58, is an Independent Non-Executive Director. She is the Chairman of the Board Audit Committee and the Senior Independent Non-Executive Director. She is also a member of the Nomination and Remuneration Committee.

Ms Menon is a Chartered Accountant, an Associate Member of the Institute of Chartered Accountants in England and Wales and is also a member of the Malaysian Institute of Accountants.

Ms Menon qualified as a Chartered Accountant in 1981 and began her career at Deloitte KassimChan in 1982. In 1984, she joined Edaran Otomobil Nasional Berhad (EON Berhad) and served as the Executive Director of Finance and Corporate Services of EON Berhad until 2007. She was subsequently appointed to Proton Holdings Berhad as the Director of Finance and Corporate Services from 2008 to 2009. She served on the Boards of EON Berhad from 1990 to 2006 and EON Bank Berhad from 1994 to 2004. She was also a member of the Boards of Jardine Cycle & Carriage Limited from 1994 to 2003 and PT Astra International Tbk, Indonesia from 2000 to 2003.

Currently, she is a Director and Audit Committee Chairman of Cycle & Carriage Bintang Berhad. She also serves as an Independent Director on the Board of PETRONAS Dagangan Berhad and is a Board member of two other non-listed entities.

Ms Menon was appointed to the Board of PETRONAS Chemicals Group Berhad on 13 August 2010. During the financial period, she attended six Board meetings, four Board Audit Committee meetings and four Nomination and Remuneration Committee Meeting.



DIRECTORS' PROFILE



Ching Yew Chye, a Malaysian aged 59, is an Independent Non-Executive Director. He is the Chairman of the Nomination and Remuneration Committee and a member of the Board Audit Committee. He holds a Bachelor of Science (Honours) degree from the University of London, UK.

Mr Ching is a seasoned management and information technology professional with more than 25 years of working experience. In 1978, he joined Scicon Consultancy in the United Kingdom. In 1982, he joined Accenture plc (Accenture), a global management consulting, technology services and outsourcing company. From 1997 to his retirement in 2007, he assumed various regional senior management roles in Accenture, including Managing Partner of the Financial Services Industry Group-Asia, Geographic Council Chairman-Asia and Managing Partner for the South Asia Region. He was also a member of the Accenture Global Executive Committee from 2001 to 2004 and served on several committees/task forces to craft Accenture's global strategy.

Mr Ching is currently an Independent Non-Executive Director of Libra Invest Berhad, HSBC Bank Malaysia Berhad and Genting Plantations Berhad. He is a member of the advisory board of Yorkville Advisors HK Ltd and was on the Board of China Yuchai International Ltd until June 2011.

Mr Ching was appointed to the Board of PETRONAS Chemicals Group Berhad on 13 August 2010. During the financial period, he attended six Board meetings, four Board Audit Committee meetings and four Nomination and Remuneration Committee meetings.

DIRECTORS' PROFILE



Dong Soo Kim, a Korean aged 65, is an Independent Non-Executive Director. He is also a member of the Board Audit Committee and the Nomination and Remuneration Committee. He holds a Bachelor of Science degree in Chemical Engineering from the University of California, Berkeley, USA and a Master of Science degree in Chemical Engineering from the University of Idaho, USA.

He began his career with the Dow Chemical Company in 1975 as the plant superintendent of its chloride/caustic plant. He then served as the Director of Corporate Planning in Hanwha Chemical Corporation from 1983 to 1987. In 1987, he joined DuPont Korea as a Project Manager and has held several senior managerial positions including Site Manager, Business Director and Global Fluoroproduct Operations Director. In 1996, Mr Kim was appointed Corporate Officer of E. I. DuPont, Vice President and General Manager of Global Non-Wovens business. In 1998, he became the President of DuPont Asia Pacific, the first Asian to take the role in 200 years of DuPont's history and retired in 2009. After his retirement, he served as the Advisor of DuPont Asia Pacific until January 2011.

He is currently the Professor in charge of development of the next generation leaders at Seoul School of Integrated Sciences and Technology and also serving as a partner coach at Korean Coaching Institute.

Dong Soo Kim was appointed to the Board of PETRONAS Chemicals Group Berhad on 13 August 2010. During the financial period, he attended six Board meetings and four Board Audit Committee meetings. He was also appointed as a member to the Nomination and Remuneration Committee on 1 November 2011 and attended one meeting during the financial period.

Pramod Kumar Karunakaran, a Malaysian aged 53, is a Non-Independent Non-Executive Director. He holds a Bachelor of Science in Communication (Electronics) Engineering from Leeds Polytechnic, UK.

He joined PETRONAS in 1984 and is currently the Vice President for Infrastructure & Utilities of Gas and Power Business. Prior to assuming this position, he has held various senior positions in PETRONAS, including Managing Director/Chief Executive Officer of Ethylene (M) Sdn Bhd, Senior General Manager, Group Technology Solutions, Head Group Plant Performance Management for Group Technology Solutions and General Manager (Plant) of ASEAN Bintulu Fertilizer Sdn Bhd.

Mr Pramod was appointed to the Board of PETRONAS Chemicals Group Berhad on 15 September 2011. During the financial period, he attended two Board meetings. He has also completed the Mandatory Accreditation Programme required by Bursa Malaysia Securities Berhad.



DIRECTORS' PROFILE

Rashidah binti Alias @ Ahmad, a Malaysian aged 40, is a Non-Independent Non-Executive Director. She holds a Bachelor of Commerce (Accounting) from the University of New South Wales, Australia. She is an Associate Member of the Institute of Chartered Accountants in Australia (ICAA).

She began her career in 1994 at Arthur Andersen, a firm of Chartered Accountants, where she was involved in audit and various advisory assignments. Since joining PETRONAS in 1998, she has held various positions within PETRONAS, covering areas of corporate planning, portfolio management, bond issuance, company listing and taxation.

She is currently responsible for PETRONAS Group financial reporting, performance review, as well as planning and budgeting. She is also responsible for managing PETRONAS Group Finance shared services and financial reporting control and governance. She currently sits on the Board of several companies in the PETRONAS Group.

Rashidah was appointed to the Board of PETRONAS Chemicals Group Berhad on 15 September 2011. During the financial period, she attended two Board meetings. She has also completed the Mandatory Accreditation Programme required by Bursa Malaysia Securities Berhad.



None of the Directors has:

- Any family relationship with any other Director and/or major shareholder.
- Any conflict of interest with PETRONAS Chemicals Group Berhad.
- Any conviction for offences within the past 10 years other than traffic offences.

Management Profiles



Dr Abd Hapiz bin Abdullah, aged 54, is President/Chief Executive Officer (CEO) of PCG. He holds a Doctor of Philosophy in Organic Chemistry from Utah State University, USA and a Bachelor of Science in Chemistry from University of Nevada, USA.

Dr Abd Hapiz bin Abdullah has more than 26 years of technical, marketing and business development experience in the chemical manufacturing industry. He joined Dow Chemical Malaysia in 1985 and has held several positions including Regional Asia Pacific Technical Manager and Regional Asia Pacific Marketing Manager for Dow Chemical Polyolefins Asia Pacific. In 1995, Dr Abd Hapiz joined DuPont Malaysia Sdn Bhd, where he held several senior management positions from General Manager to Country Manager for DuPont Malaysia. In 1999, he was the Managing Director of DuPont Malaysia Sdn Bhd and Regional Manager, Asia Pacific Packaging and Industrial Polymer. Prior to joining PCG, he was the Managing Director of DuPont Malaysia Sdn Bhd and Regional Director, Asia Pacific Glass Laminating Solution.

He is an Executive Director of PCG and currently the Chairman of Chemical Industries Council of Malaysia (CICM).

He assumed his current position in PCG in May 2011.



Wan Shamilah binti Wan Muhammad Saidi, aged 41, is our Chief Financial Officer. She graduated with a Bachelor of Science in Economics and Accounting from the University of Bristol, United Kingdom in 1993. She is also a member of the Institute of Chartered Accountants in England and Wales and the Malaysian Institute of Accountants.

She joined PETRONAS in October 1993 as a Finance Executive in PETRONAS Carigali. From 1995 to 1998, she worked for Morison Stoneham, a firm of Chartered

Accountants in England. She rejoined PETRONAS in 1998 as a Manager in Group Finance of PETRONAS. In ensuing years, she held various positions within PETRONAS covering mergers and acquisitions, finance, marketing and trading. Her last position prior to joining PCG was as Senior General Manager of Crude Oil Group, PETRONAS.

She is currently responsible for all financial and fiscal management aspects of our Group. She also sits on the Board of Directors of several companies in the PETRONAS Group.

She assumed her current position in August 2010.

MANAGEMENT PROFILES



Yusa' bin Hassan, aged 49, is Head of Olefins and Derivatives Business Division. He holds a Bachelor of Science in Mechanical Engineering from West Virginia University, USA.

He has more than 27 years of experience in plant operations under the Petrochemical and Refinery Business of PETRONAS where he has held senior management positions at PETRONAS Ammonia Sdn Bhd, PETRONAS Penapisan (Trengganu) Sdn Bhd, MTBE Malaysia Sdn Bhd and Polypropylene Malaysia Sdn Bhd. He was appointed as Head of Fertilisers and Methanol Business, PCG in July 2010 prior to his current position.

Yusa' Hassan is currently responsible for leading the overall business activities and plant operations under the Olefins and Derivatives Business Division of PCG. He also sits on the Board of Directors of several companies in the PETRONAS Group, whilst holding the position of Managing Director / Chief Executive Officer of Aromatics Malaysia Sdn Bhd.

He assumed his current position in PCG in June 2011.



Muhammad Shah bin Ali, aged 50, is Head of Fertilisers and Methanol Business Division. He holds a Bachelor of Science in Chemical Engineering from Ohio University, USA.

He has more than 27 years of experience in PETRONAS covering areas of plant process, technical operations, project management, mergers and acquisitions, corporate planning and development, and oil marketing and trading. He has held various technical and commercial positions in PETRONAS including Aromatics Malaysia Sdn Bhd, PETRONAS Crude Oil Group, PETRONAS Penapisan Melaka Sdn Bhd, ASEAN Bintulu Fertilizer Sdn Bhd and PETRONAS Trading Corporation Sdn Bhd. His last position prior to joining PCG was the Chief Executive Officer of PETRONAS Trading Corporation Sdn Bhd.

He is currently responsible for leading the overall business activities and plant operations under the Fertilisers and Methanol Business Division of PCG. He also sits on the Board of Directors of several companies in the PETRONAS Group.

He assumed his current position in January 2012.

MANAGEMENT PROFILES

Abdul Aziz bin Othman, aged 46, is our Head of Strategic Planning and Business Development. He holds a Bachelor of Science in Mechanical Engineering from George Washington University, USA.

Abdul Aziz has more than 25 years of experience in project management, technical operations and business strategy and development within PETRONAS Group. He has held several senior management positions in PETRONAS Gas Bhd, PETRONAS Corporate Planning and Development Division. He was the Chief Executive Officer of Vinyl Chloride Malaysia Sdn Bhd before joining PCG as the Head of Commercial (Aromatics and Vinyl) in 2011.

He is currently responsible for the planning, development and implementation of business strategies and growth projects for PCG. He also sits on the Board of Directors of several companies in the PETRONAS Group.

He assumed his current position in PCG in June 2011.



Ir Kamarul Ariffin bin Tajul A'mar, aged 48, is Head of Centralised Services Division. He holds a Bachelor of Chemical Engineering from University of New South Wales, Australia.

Ir Kamarul Ariffin has more than 23 years of experience in plant process, technical operations and Health, Safety and Environment (HSE). He has held various technical positions in PETRONAS and its operating units, including petrochemical plants like Polyethylene Malaysia Sdn Bhd, Polypropylene Malaysia Sdn Bhd and PETLIN Malaysia Sdn Bhd. He was also the Head of Quality and HSE for PETRONAS Egyptian Venture in Egypt. His last position prior to becoming a member of PCG's Management Committee was Chief Executive Officer of PETLIN Malaysia Sdn Bhd.

He is currently responsible for PCG's Centralised Logistics and Distribution, Plant Turnaround Centralised Services, Plant Project Engineering Centralised Services, and Centralised Laboratory Services. He also sits on the Board of Directors of several companies in the PETRONAS Group.

He assumed his current position in PCG in January 2012.

MANAGEMENT PROFILES

Zaidan bin Abd Hadi, aged 50, is our Head of Human Resource Management. He holds a Master of Science in Human Resource Development from Universiti Teknologi Malaysia and a Bachelor of Science in Business Administration from St Louis University in Missouri, USA.

He has more than 26 years of experience in Human Resource Management within PETRONAS Group. He held various positions under Human Resource Management Department in PETRONAS Gas Berhad, PETRONAS Penapisan (Melaka) Sdn Bhd and PETRONAS Carigali Sdn Bhd. His last position prior to joining PCG was as General Manager of Human Resource Management for Malaysia LNG Sdn Bhd.

Zaidan is currently responsible for ensuring efficient and effective management, development, utilisation and administration of Human Resource Management aspects for PCG.

He is also the Chairman of Koperasi Kakitangan PETRONAS Bhd (KOPETRO) and Council Member of the National Consultative Cooperative Malaysia.

He assumed his current position in PCG in November 2011.



Noryati binti Mohd Noor, aged 46, is the Head of Legal and Corporate Secretariat. She holds a Bachelor of Law (Honours) from the International Islamic University Malaysia.

Her career in PETRONAS started in 1990 as Legal Executive for PETRONAS Dagangan Berhad. She continued to serve PETRONAS Dagangan Berhad until 1997 when she joined Gas District Cooling (M) Sdn Bhd as the Senior Legal Counsel. In the ensuing years, Noryati was involved in several projects in Iran, Singapore and Indonesia. She was the Senior Legal Counsel for PETRONAS Gas Berhad from October 2005 until February 2012.

Noryati is currently the Company Secretary of PETRONAS Gas Berhad, a related company to PCG. She also held several other positions, namely Company Secretary to Industrial Gases Solutions Sdn Bhd, Kimanis Power Sdn Bhd, Kimanis O&M Sdn Bhd, Regas Terminal (Sg Udang) Sdn Bhd, Regas Terminal (Lahad Datu) Sdn Bhd and Regas Terminal (Pengerang) Sdn Bhd.

She assumed her current position in PCG on 1 March 2012.



MANAGEMENT PROFILES



Zaidah binti Md Zin, aged 48, is Head of Risk Management. She holds a Bachelor of Science in Accounting from Arkansas State University, USA.

She has more than 25 years of experience in budgeting, financial and management accounting, loan management, and financial and account services within PETRONAS. She has held various senior management positions under PETRONAS Gas Bhd and PETRONAS Chemicals Marketing Sdn Bhd and, prior to joining PCG, her last position was as Head of Finance & Account Services Division in PETRONAS Chemicals Marketing Sdn Bhd.

Zaidah is currently responsible for all risk management aspects of PCG, including risk planning and performance, risk governance and assurance, risk intelligence and capability building.

She assumed her current position in PCG in June 2011.



Ruziah Azdi binti Abd Rahman, aged 48, is Head of Corporate Affairs. She holds a Bachelor of Science in Business Administration (Economics and Finance) from University of Tennessee, USA.

She has more than 22 years of experience in retail services, advertising and promotions, franchise development, media relations, and branding. She has held various senior management positions in PETRONAS Dagangan Bhd and East Coast Economic Region (ECER). Prior to joining PCG, her last position was the General Manager of Corporate Communications in ECER.

Ruziah Azdi is currently responsible for the planning, development and implementation of all corporate branding strategies and plans, and media relations activities for PCG.

She assumed her current position in PCG in August 2010.

MANAGEMENT PROFILES



Wan Asmah binti Che Din, aged 52, is Head of Investor Relations. She graduated with a Bachelor of Science in Business Administration (majoring in Marketing) from Indiana University, Bloomington, USA and obtained her Master in Business Administration (Marketing) from University of Arkansas at Fayetteville, USA.

She has more than 27 years of experience in trading operation and management, business planning and performance management, research and industry analysis, and business development within PETRONAS. She has held various management positions in International Marketing Division of Vice President's Office (Oil Business), PETRONAS Trading Corporation Sdn Bhd (PETCO) and PETRONAS Chemicals Marketing Sdn Bhd. Prior to joining PCG, her last position was Head of Business Planning and Overseas Office in PETRONAS Chemicals Marketing Sdn Bhd.

She is currently responsible for the planning, development and implementation of all investor relations strategies and plans in PCG.

She assumed her current position in PCG in June 2011.

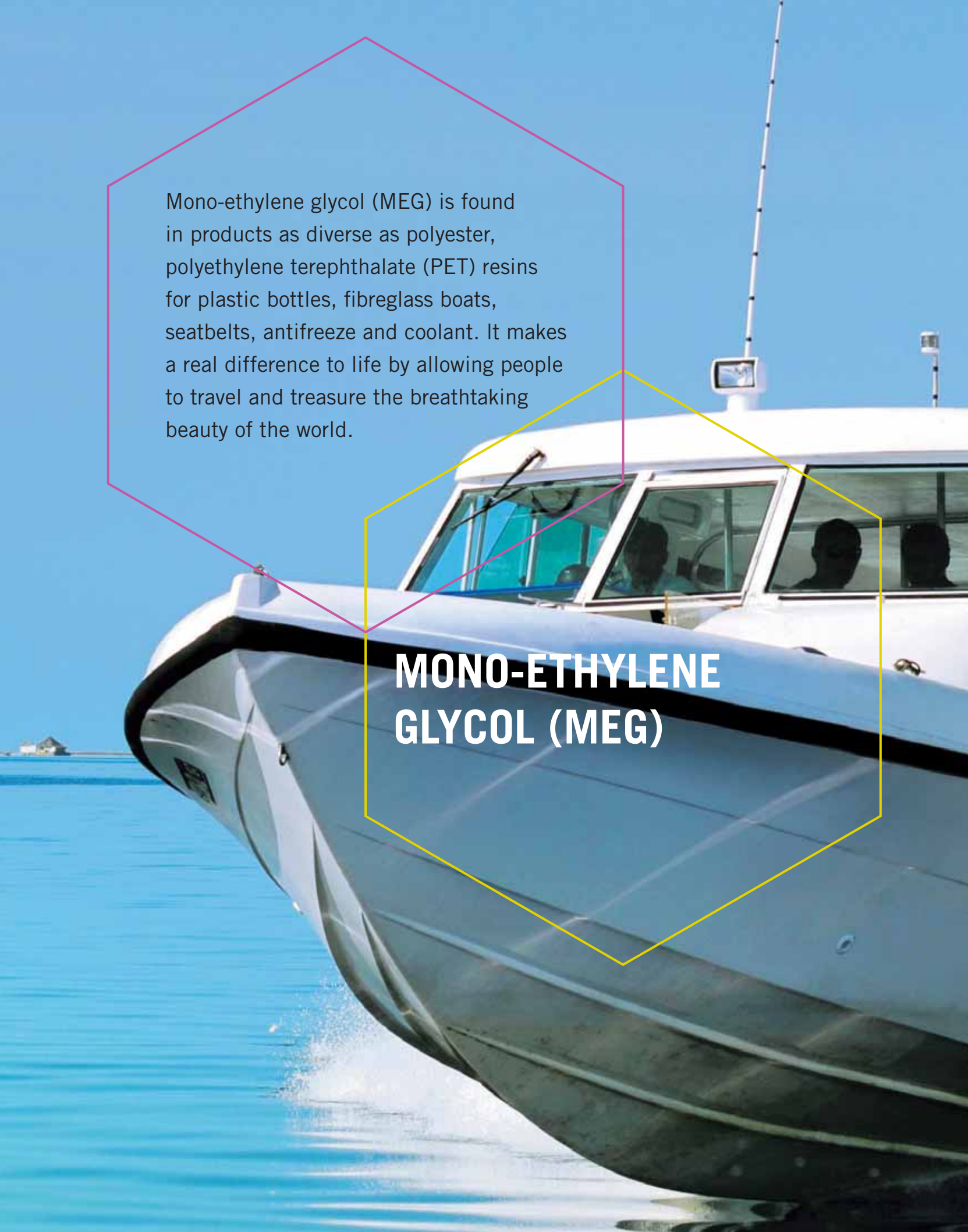


Mohd Jasni bin Abdul Ghani, aged 39, is Head of Health, Safety and Environment (HSE). He holds a Bachelor of Engineering (Honours) in Chemical Engineering from Universiti Teknologi Malaysia.

He has more than 11 years of experience in the management of HSE within the PETRONAS Group. He has held various positions in Vinyl Chloride Malaysia Sdn Bhd and PETRONAS Fertilizer Kedah Sdn Bhd. His last position prior to joining PCG was the Manager of HSE for PETRONAS Fertilizer Kedah Sdn Bhd.

Mohd Jasni is currently responsible in all HSE matters for our Group and is the Chairman of PCG's Corporate Office HSE Committee.

He assumed his current position in PCG in August 2011.



Mono-ethylene glycol (MEG) is found in products as diverse as polyester, polyethylene terephthalate (PET) resins for plastic bottles, fibreglass boats, seatbelts, antifreeze and coolant. It makes a real difference to life by allowing people to travel and treasure the breathtaking beauty of the world.

MONO-ETHYLENE GLYCOL (MEG)



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Chairman's Statement



We concluded the period with strong financial results despite the challenges faced both externally and internally, further demonstrating the benefits of operating as an integrated business value chain.

On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report of PETRONAS Chemicals Group Berhad (PCG) for the financial period ended 31 December 2011, which covers a nine-month period from April to December 2011. We concluded the period with strong financial results despite the challenges faced both externally and internally, further demonstrating the benefits of operating as an integrated business value chain.

ECONOMIC LANDSCAPE

Overall, 2011 saw the global economy growing more slowly at 3.9% compared to 5.3% in 2010. The European economies, particularly Greece, Portugal, Spain and Ireland continued to falter, while the United States showed marginal growth. Asian economies were also

impacted by the slowdown in US and Europe as evidenced in China and India where their GDP growth were reported at lower levels as compared to the previous year.

The petrochemical industry had its own challenges in 2011, as energy prices escalated amidst a slowdown in the economy. Increased geo-political tensions between US-Iran throughout 2011 saw crude prices staying above USD100 per barrel, pushing the naphtha feedstock costs to reach a high of USD957 per metric ton. Several naphtha based crackers were reported to be reducing their throughput rates as margins were squeezed.



Against this backdrop, we remain highly competitive, leveraging on our advantageous gas feedstock position and higher average market prices for our products. The domestic market, in particular, contributed 41% to our revenue, reaffirming our leadership position in Malaysia as the largest olefins manufacturer and the sole producer of methanol and urea.

PERFORMANCE

I am pleased to share that for the period under review, all key Health, Safety and Environment (HSE) achievements were in line with the industry best-practices. There were heavy

plant maintenance activities being carried out in our Olefins and Derivatives (O&D) segment, while production in our Fertilisers and Methanol (F&M) segment was constrained by limitations in feedgas supply for our Labuan facility. As such, we recorded a lower plant utilisation at 78.6%, compared to 79.7% for the corresponding nine-month period.

We recorded a 16% growth in revenue at RM11.9 billion despite the many challenges faced, on the back of improved product prices in both the O&D and the F&M segments, which cushioned the impact of lower sales volume and exchange rate movements.

Profit attributable to shareholders grew by 27% to RM2.6 billion, while earnings per share attributable to our shareholders increased by about 18% to 33 sen from 28 sen for the corresponding period in 2010.

CHAIRMAN'S STATEMENT



Profit attributable to shareholders grew by 27% to RM2.6 billion, while earnings per share increased by about 18% to 33 sen.

DIVIDEND

The Board of Directors is proposing a single tier final dividend of 8 sen per share amounting to RM640 million, subject to shareholders' approval at the forthcoming Annual General Meeting. This will be in addition to the interim single tier dividend of 8 sen per share, amounting to RM640 million, which was paid to shareholders on 22 December 2011. The payout ratio would constitute 48.8% of the Group Profit After Tax and Non-Controlling Interest.

OUR GROWTH

Our commitment to HSE and operational excellence, combined with our advantageous feedstock, strong integration and diversified products portfolio, positions PCG as a leading and resilient petrochemical player in Asia Pacific.

For the period under review, we continued to focus on the consolidation of our petrochemical activities to further unlock the value of our hydrocarbon products as a single value chain, whilst maximising production and reducing costs.

In the medium term, our strategy remains the expansion of our product portfolio into products with premium pricing, which would be resilient to economic cycles. In this regard, together with our joint venture partner BASF, we are making progress with the feasibility study to expand BASF PETRONAS Chemicals Sdn Bhd (BPC)'s C3 value chain with a new plant for superabsorbent polymers, as well as to expand the production capacity of BPC's existing glacial acrylic acid unit.

To support our long term strategy to expand production capacity, we sanctioned the development of a new ammonia and urea plant (SAMUR project) during the period in review. The estimated development cost is USD1.5 billion and the plant will be located in Sipitang, Sabah. The project's completion is targeted in 2015, potentially positioning the Group as the second largest urea producer in South East Asia, as the new urea plant would almost double our current urea production capacity of 1.4 million metric tons per annum (mmtpa) to 2.6 mmtpa.

CHAIRMAN'S STATEMENT



I am also pleased to share that the feasibility study for the Refinery and Petrochemical Integrated Development (RAPID) project, led by our parent PETRONAS, had been completed in October 2011 and the final investment decision is expected to be reached by middle 2013. The project, which will be located in Pengerang, Southern Johor, aims to build a world class integrated refinery and petrochemical complex to meet the growing needs for specialty chemicals and commodity petrochemical products in Asia Pacific. RAPID project, if sanctioned, presents PCG with the opportunity to significantly grow our product portfolio, moving into high value specialty chemicals.

OUTLOOK

The recovery in the global economy remains fragile largely due to recession risk in EU, slowdown in economies such as US and China, and sustained high oil prices due to fear of supply disruption resulting from the US sanctions on Iran.

Nonetheless, emerging economies, especially in Asia, are expected to register healthy growth supported by urbanisation and modernisation trends, which will drive an increase in demand for petrochemical products. Hence, the Asian petrochemical market is expected to remain steady.

It is also expected that the rate of new capacity additions will decline from a peak in 2010 of approximately 18 mmtpa (combined ethylene and propylene) to approximately 6 mmtpa in 2014. This bodes well for the petrochemical industry, subject to stable and sustained improvement in the global economy. Coupled with reduced capacity additions post-2011 and strong product price outlook, PCG would be in good stead to reap the opportunities that arise, as ASEAN remains a key market.



Emerging economies, especially in Asia, are expected to register healthy growth, which will drive an increase in demand for petrochemical products.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere appreciation to YBhg Datuk Manharlal Ratilal and YBhg Datuk Anuar Ahmad for their leadership and commitment, as they have stepped down from the Board in September 2011. On the same note, I am pleased to welcome to the Board, Mr Pramod Kumar Karunakaran and Pn Rashidah Alias, as new directors.

My sincere appreciation also reaches out to all our shareholders and stakeholders for their relentless support and confidence, the Board of Directors for their guidance and support, as well as the Management Committee and our dedicated employees of PCG for their determination and commitment in making the period under review a success.

I look forward to your continued support in the coming years in our journey to deliver customer driven sustainable solutions through distinctive operational and marketing excellence.

Datuk Wan Zulkiflee bin Wan Ariffin

Chairman

23 April 2012

For the nine-month period ended 31 December 2011, the Group reported a 16% growth in revenue at RM 11.9 billion on higher product prices recorded in both Olefins & Derivatives and Fertilisers & Methanol businesses.

INTRODUCTION

On behalf of the PETRONAS Chemicals Group (PCG), I have the great honour and pleasure of presenting PCG's performance for Financial Period Ended 31 December 2011, covering a nine-month period from April to December 2011. In the face of both internal and external challenges, the Group continued to be financially resilient and ended 2011 with better performance compared to the previous corresponding period.

INDUSTRY OVERVIEW

For the chemicals industry, the year 2011 was characterised by energy price escalations amidst a slowdown in the world economy. Increased geo-political tensions between US-Iran throughout 2011 saw crude prices staying above USD100 per barrel, pushing the key naphtha feedstock costs to reach a high of USD957 per metric ton. The cost push factor from feedstock coupled with domestic growth in China and South East Asia led to significant gains in product prices.

President/CEO's Message



PRESIDENT/CEO'S MESSAGE



The Olefins & Derivatives business saw petrochemical prices achieving new levels compared to the previous corresponding period on the backs of strong crude oil prices. Ethylene and propylene prices were higher by 16% and 24%, respectively, further fuelled by olefins supply shortage in Asia, following plant outages in major producing countries such as Japan and Taiwan. Similarly, products such as paraxylene and mono-ethylene glycol (MEG) recorded significant gains of about 40%, driven by increasing demand for derivatives and plant outages in Japan, Singapore and Taiwan.

Similarly, the Fertilisers & Methanol business saw strong market prices for all products, with upward momentum sustained on the backs of strong crop prices, tight supply from adverse weather conditions in the US and firm demand from traditional home markets in South East Asia and China. Throughout the period under review, prices averaged higher

than the corresponding period by about 44% and 43% for urea and ammonia respectively, whilst methanol prices were higher by 21%.

FINANCIAL PERFORMANCE

For the nine-month period ended 31 December 2011, the Group reported a 16% growth in revenue at RM11.9 billion on higher product prices recorded in both Olefins & Derivatives and Fertilisers & Methanol businesses. Higher average prices by 29% cushioned the impact of lower sales volume by 7% and exchange rates movements during the period.

The Group's share of profits from associate and jointly controlled entities declined by 50% to RM273 million, in line with full utilisation of tax benefits in one of the associate companies and lower production.

Overall, profits grew by 27% to RM2.9 billion, while EBITDA increased by 41% to RM4.5 billion.

Going forward, we shall intensify our efforts to achieve Health, Safety and Environment (HSE) excellence, operational excellence and marketing excellence, so as to extract the maximum value from our integrated value chain.

OPERATIONAL ACHIEVEMENTS

During the period under review, we continued to focus on plant improvements and production optimisation, while leveraging on our strong market position in the Asia Pacific and favourable product prices.





We continued to focus on plant improvements and production optimisation, while leveraging on our strong market position in the Asia Pacific.

Total production remained consistent at about 6.0 million tonnes compared to the corresponding period. However, the Group sold 2.3 million tonnes of olefins and derivatives and 2.3 million tonnes of fertilisers and methanol, representing decreases of 7.1% and 6.0% respectively compared to the corresponding period. Total sales volume was lower at 78.6% compared to 79.7% in the previous corresponding period.

Olefins & Derivatives (O&D)

Our O&D business began the period under review with heavy plant maintenance work. This limited our ability to enjoy favourable product prices in the first quarter. Plant utilisation rates for O&D segment improved

significantly in the second quarter, with the completion of plant maintenance work in the first quarter. However, the third quarter was marred by power supply interruption affecting our olefins cracker in Ethylene Malaysia Sdn Bhd. In addition, this segment also experienced softening demands for polymers towards the end of the third quarter.

With a fully integrated value chain within two complexes, our O&D segment focused on molecule optimisation, whereby high margin products get prioritised, thus allowing margins to be maximised. A key achievement for the period was the consistently strong performance from our ethylene cracker in PETRONAS Chemicals Olefins Sdn Bhd (formerly known as Optimal Olefins Sdn Bhd). This is the benchmark for all our other facilities within the O&D segment.

PRESIDENT/CEO'S MESSAGE

We have made strides in the consolidation of our petrochemical activities to ensure effective and optimum running of our value chain.



Fertilisers & Methanol (F&M)

The period under review was very challenging for our F&M business, as plant utilisation and production volumes were significantly affected by methane gas supply limitations.

During the first quarter, methane gas supply limitation affected our Labuan methanol facility, while methane gas supply curtailment constrained production at our fertiliser and ammonia plants in Peninsular Malaysia. Although the situation in Peninsular Malaysia improved in subsequent quarters, our Labuan methanol facility continued to face methane gas supply limitation over the remaining period under review.

We are working very closely with our upstream suppliers to address the gas supply levels for our Labuan facility. The concerted efforts with our upstream suppliers have begun to bear fruit, as supply levels improved in January and February 2012.

Despite the challenges, our F&M business continued to demonstrate perseverance and resilience. Various intervention programmes to manage plant reliability and integrity during the period, including the introduction of the Group's stand-down initiatives, have delivered positive results. Rigorous inventory planning and management are also well in place to minimise any impact on our methanol term-customers.

CUSTOMERS

We have established a strong marketing and distribution operation with a wide network serving more than 1,500 customers in Malaysia and over 25 countries internationally, principally in Asia. For the period under review, Malaysia contributed 41% of total sales whilst China was the largest export destination at 18.5% of total sales.

