PETRONAS CHEMICALS GROUP BERHAD

Quarterly Report

For Third Quarter Ended 30 September 2023

QUARTERLY REPORT
FOR THIRD QUARTER ENDED 30 SEPTEMBER 2023

The Board of Directors of PETRONAS Chemicals Group Berhad ("PCG" or the "Company") is pleased to announce the following unaudited condensed consolidated financial statements for the quarter ended 30 September 2023 which should be read in conjunction with the accompanying explanatory notes on pages 8 to 23.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Individual quarter ended 30 September		Cumulative quarter ended 30 September	
In RM Mil	**Note**	**2023**	**2022**	**2023**	**2022**
Revenue	**A9.1**	**6,784**	7,032	**21,454**	20,249
Cost of revenue		**(5,556)**	(4,942)	**(17,646)**	(13,570)
Gross profit		**1,228**	2,090	**3,808**	6,679
Selling and distribution expenses		**(470)**	(340)	**(1,434)**	(897)
Administration expenses		**(394)**	(219)	**(1,010)**	(664)
Other expenses		**(2)**	–	**(2)**	(1)
Other income		**244**	509	**538**	897
Operating profit	**B4**	**606**	2,040	**1,900**	6,014
Financing costs		**(33)**	(19)	**(95)**	(34)
Share of profit/(loss) after tax of equity-accounted associates and joint ventures		**13**	(1)	**65**	192
Profit before taxation		**586**	2,020	**1,870**	6,172
Tax expense	**B5**	**(147)**	(122)	**(262)**	(329)
PROFIT FOR THE PERIOD		**439**	1,898	**1,608**	5,843
Profit attributable to:					
Shareholders of the Company		**424**	1,895	**1,584**	5,841
Non-controlling interests		**15**	3	**24**	2
PROFIT FOR THE PERIOD		**439**	1,898	**1,608**	5,843
Basic earnings per share attributable to shareholders of the Company:					
Based on ordinary shares issued (sen)	**B12**	**5**	24	**20**	73

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

		Individual quarter ended 30 September		Cumulative quarter ended 30 September	
In RM Mil	**Note**	**2023**	**2022**	**2023**	**2022**
PROFIT FOR THE PERIOD		**439**	1,898	**1,608**	5,843
Other comprehensive (loss)/income					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability		**(57)**	–	**(57)**	–
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences		**(36)**	917	**1,068**	1,743
Share of other comprehensive income of equity-accounted joint ventures and associates		**11**	98	**9**	179
Total other comprehensive (loss)/income for the period		**(82)**	1,015	**1,020**	1,922
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**357**	2,913	**2,628**	7,765
Total other comprehensive income attributable to:					
Shareholders of the Company		**343**	2,909	**2,601**	7,763
Non-controlling interests		**14**	4	**27**	2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**357**	2,913	**2,628**	7,765

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM Mil	Note	As at 30 September 2023	As at 31 December 2022
ASSETS			
Property, plant and equipment		28,604	27,213
Investments in joint ventures and associates		1,725	1,665
Intangible assets		9,634	9,364
Long term receivables	A15	1,208	284
Retirement benefits		90	88
Deferred tax assets		724	798
TOTAL NON-CURRENT ASSETS		41,985	39,412
Trade and other inventories		3,842	3,465
Trade and other receivables	B7	3,740	3,619
Tax recoverable		45	46
Cash and cash equivalents		9,066	8,888
TOTAL CURRENT ASSETS		16,693	16,018
TOTAL ASSETS		58,678	55,430
EQUITY			
Share capital		8,871	8,871
Reserves		30,917	30,207
Total equity attributable to shareholders of the Company		39,788	39,078
Non-controlling interests		1,796	655
TOTAL EQUITY		41,584	39,733
LIABILITIES			
Borrowings	B8	2,590	2,489
Lease liabilities		1,942	1,688
Provisions		264	221
Trade payables	A16	811	759
Retirement benefits		249	242
Other long term liabilities		1,267	1,432
Deferred tax liabilities		2,260	2,364
TOTAL NON-CURRENT LIABILITIES		9,383	9,195
Borrowings	B8	267	229
Lease liabilities		204	125
Trade and other payables	A16	7,065	5,914
Taxation		175	234
TOTAL CURRENT LIABILITIES		7,711	6,502
TOTAL LIABILITIES		17,094	15,697
TOTAL EQUITY AND LIABILITIES		58,678	55,430
Net assets per share attributable to shareholders of the Company (RM)		4.97	4.88

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company			
	Non-distributable			
In RM Mil	**Share Capital**	**Foreign Currency Translation Reserve**	**Merger Reserve**	**Other Reserves**
Cumulative quarter ended 30 September 2023				
At 1 January 2023	8,871	1,573	(204)	1,165
Foreign currency translation differences	—	1,065	—	—
Share of other comprehensive income of equity-accounted joint ventures and associates	—	—	—	9
Remeasurement of defined benefit liability	—	—	—	(57)
Total other comprehensive income/(loss) for the period	—	1,065	—	(48)
Profit for the period	—	—	—	—
Total comprehensive income/(loss) for the period	—	1,065	—	(48)
Dividends to shareholders of the Company (note A8)	—	—	—	—
Dividends to a non-controlling interest	—	—	—	—
Others (note A18(i))	—	—	—	(91)
Total transactions with owners of the Group	—	—	—	(91)
Balance at 30 September 2023	8,871	2,638	(204)	1,026

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In RM Mil	**Share Capital**	**Foreign Currency Translation Reserve**	**Merger Reserve**	**Other Reserves**
Cumulative quarter ended 30 September 2022				
Balance at 1 January 2022, as previously reported	8,871	24	(204)	1,042
- Effect of Amendments to MFRS 116	—	—	—	—
Balance at 1 January 2022, restated	8,871	24	(204)	1,042
Foreign currency translation differences	—	1,743	—	—
Share of other comprehensive income of equity-accounted joint ventures and associates	—	—	—	179
Total other comprehensive income for the period	—	1,743	—	179
Profit for the period	—	—	—	—
Total comprehensive income for the period	—	1,743	—	179
Dividends to shareholders of the Company (note A8)	—	—	—	—
Dividends to a non-controlling interest	—	—	—	—
Others	—	—	—	—
Total transactions with owners of the Group	—	—	—	—
Balance at 30 September 2022	8,871	1,767	(204)	1,221

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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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to shareholders of the Company			
	Distributable			
In RM Mil	**Retained Profits**	**Total**	**Non-controlling interests**	**Total Equity**
Cumulative quarter ended 30 September 2023				
At 1 January 2023	27,673	39,078	655	39,733
Foreign currency translation differences	—	1,065	3	1,068
Share of other comprehensive income of equity-accounted joint ventures and associates	—	9	—	9
Remeasurement of defined benefit liability	—	(57)	—	(57)
Total other comprehensive income/(loss) for the period	—	1,017	3	1,020
Profit for the period	1,584	1,584	24	1,608
Total comprehensive income/(loss) for the period	1,584	2,601	27	2,628
Dividends to shareholders of the Company (note A8)	(1,920)	(1,920)	—	(1,920)
Dividends to a non-controlling interest	—	—	—	—
Others (note A18(i))	120	29	1,114	1,143
Total transactions with owners of the Group	(1,800)	(1,891)	1,114	(777)
Balance at 30 September 2023	27,457	39,788	1,796	41,584

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	Retained Profits	Total	Non-controlling interests	Total Equity
Cumulative quarter ended 30 September 2022				
Balance at 1 January 2022, as previously reported	25,272	35,005	535	35,540
- Effect of Amendments to MFRS 116	(154)	(154)	—	(154)
Balance at 1 January 2022, restated	25,118	34,851	535	35,386
Foreign currency translation differences	—	1,743	—	1,743
Share of other comprehensive income of equity-accounted joint ventures and associates	—	179	—	179
Total other comprehensive income for the period	—	1,922	—	1,922
Profit for the period	5,841	5,841	2	5,843
Total comprehensive income for the period	5,841	7,763	2	7,765
Dividends to shareholders of the Company (note A8)	(3,840)	(3,840)	—	(3,840)
Dividends to a non-controlling interest	—	—	(4)	(4)
Others	74	74	(77)	(3)
Total transactions with owners of the Group	(3,766)	(3,766)	(81)	(3,847)
Balance at 30 September 2022	27,193	38,848	456	39,304

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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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In RM Mil	Cumulative quarter ended 30 September 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**1,870**	6,172
Adjustments for:		
- Amortisation of deferred income	**(66)**	(67)
- Depreciation and amortisation	**1,457**	1,102
- Financing costs	**95**	34
- Interest income	**(255)**	(166)
- Share of profit after tax of equity-accounted joint ventures and associates	**(65)**	(192)
- Unrealised forex gain	**(34)**	(536)
- Other non-cash items	**42**	(336)
Operating profit before changes in working capital	**3,044**	6,011
Change in trade and other inventories	**(314)**	(253)
Change in trade and other receivables	**213**	(435)
Change in trade and other payables	**757**	950
Cash generated from operations	**3,700**	6,273
Interest income received	**255**	166
Taxation paid	**(330)**	(145)
Net cash generated from operating activities	**3,625**	6,294
CASH FLOWS FROM INVESTING ACTIVITIES		
Adjustment on purchase consideration (note A18(ii))	**2**	–
Dividends received from joint ventures and associates	**12**	96
Investment in joint ventures and associates	**–**	(34)
Partial payment of deferred consideration of acquisition in a subsidiary	**–**	(49)
Payment of earn out for a subsidiary	**(231)**	–
Payment for settlement of forward foreign exchange contract	**–**	(49)
Proceeds from settlement of forward foreign exchange contract	**–**	49
Purchase of property, plant and equipment	**(1,321)**	(1,256)
Net cash used in investing activities	**(1,538)**	(1,243)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to:		
- PETRONAS	**(1,236)**	(2,471)
- others (third parties)	**(684)**	(1,369)
- non-controlling interest	**–**	(4)
Drawdown of:		
- term loan	**–**	315
- revolving credit	**–**	150
Payment of lease liabilities:		
- principal	**(95)**	(46)
- interest	**(55)**	(40)
Repayment of term loan:		
- principal	**(41)**	(100)
- interest	**(66)**	(47)
Repayment of revolving credit	**(1)**	(140)
Net cash used in financing activities	**(2,178)**	(3,752)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Cumulative quarter ended 30 September	
In RM Mil	**2023**	**2022**
Net cash flows from operating, investing and financing activities	**(91)**	1,299
Effect of foreign currency translation differences	**26**	8
Net (decrease)/increase in cash and cash equivalents	**(65)**	1,307
Net foreign exchange differences on cash held	**243**	1,411
Cash and cash equivalents at beginning of the period	**8,888**	16,390
Cash and cash equivalents at end of the period	**9,066**	19,108

continued from previous page

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

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. BASIS OF PREPARATION

The condensed consolidated 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 audited financial statements of the Group for the year ended 31 December 2022. The explanatory notes attached to the condensed consolidated financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2022.

Within the context of these unaudited condensed consolidated financial statements, the Group comprises the Company, its subsidiaries and a joint operation, as well as the Group's interest in joint ventures and associates as at and for the quarter ended 30 September 2023.

A2. ADOPTION OF REVISED PRONOUNCEMENTS AND 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 audited consolidated financial statements for the year ended 31 December 2022.

During the period, the Group has adopted the following MFRS and Amendments to MFRSs ("pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB").

Effective for annual periods beginning on or after 1 January 2023

MFRS 17	*Insurance Contracts*
Amendments to MFRS 17	*Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 – Comparative Information)*
Amendments to MFRS 101	*Presentation of Financial Statements (Disclosure of Accounting Policies)*
Amendments to MFRS 108	*Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)*
Amendments to MFRS 112	*Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)*

The initial application of the above pronouncements did not have any material impact to the consolidated financial statements of the Group.

On 2 June 2023, MASB has also issued the Amendment to MFRS 112 *Income Taxes International Tax Reform – Pillar Two Model Rules.* The amendment is effective from annual period beginning on or after 1 January 2023 and will be in effect upon enactment of Pillar Two Models Rule in Malaysia. As allowed by transitional provision of the said amendment, the Group is not required to provide any disclosure in relation to this amendment for interim period ended 30 September 2023.

A3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of PCG and its subsidiaries for the year ended 31 December 2022 were not subject to any audit qualification.

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

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

A5. EXCEPTIONAL ITEMS

There were no exceptional items during the period 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 2022 that may have a material effect in the results of the period under review.

A7. DEBT AND EQUITY SECURITIES

There were no material issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the period under review, other than as disclosed in note B8.

A8. DIVIDEND PAID

During the period under review, the Company paid:

i) A second interim single tier dividend of 16 sen per ordinary share, amounting to RM1,280 million in respect of the financial year ended 31 December 2022 to shareholders on 23 March 2023; and

ii) A first interim single tier dividend of 8 sen per ordinary share, amounting to RM640 million in respect of the financial year ending 31 December 2023 to shareholders on 21 September 2023.

A9. OPERATING SEGMENTS

The Group reportable segments comprise Olefins and Derivatives, Fertilisers and Methanol, Specialties and Others. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies.

- 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.

- Specialties - activities include manufacturing and marketing of advanced chemicals solutions, animal nutrition, silicones; and lube oil additives and chemicals.

- Others – other non-reportable segments comprise operations related to investment holding and port services which provide product distribution infrastructure to the Group.

A9. OPERATING SEGMENTS (continued)

9.1 Revenue

	Cumulative quarter ended 30 September					
	2023	**2022 Restated**	**2023**	**2022**	**2023**	**2022 Restated**
In RM Mil	**Third-parties**		**Inter-segment**		**Gross total**	
Olefins and Derivatives	**10,522**	9,435	**–**	3	**10,522**	9,438
Fertilisers and Methanol	**6,091**	9,317	**–**	–	**6,091**	9,317
Specialties	**4,803**	1,460	**–**	–	**4,803**	1,460
Others	**38**	37	**35**	31	**73**	68
Total	**21,454**	20,249	**35**	34	**21,489**	20,283

9.2 Segment profit/(loss) for the period [1]

In RM Mil	Cumulative quarter ended 30 September **2023**	**2022 Restated**
Olefins and Derivatives	**802**	2,531
Fertilisers and Methanol	**1,134**	2,958
Specialties	**(149)**	276
Others[2]	**(179)**	78
Total	**1,608**	5,843

A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment for the period under review. As at 30 September 2023, all property, plant and equipment other than freehold land and projects-in-progress were stated at cost less accumulated depreciation and impairment losses. Freehold land and projects-in-progress were stated at cost less accumulated impairment losses, if any.

A11. CONTINGENCIES

There were no material contingent liabilities or contingent assets since the last audited consolidated financial statements for the year ended 31 December 2022.

A12. CHANGES IN COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group for the period under review.

[1] Included within profit for the period for Olefins and Derivatives, Fertilisers and Methanol, Specialties and Others segments are depreciation and amortisation expenses amounting to RM370 million (2022: RM417 million), RM689 million (2022: RM640 million), RM217 million (2022: RM10 million) and RM181 million (2022: RM35 million) respectively.
[2] Includes profit/loss from non-reportable segments and unallocated assets.

A13. CAPITAL COMMITMENTS

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

In RM Mil	**As at 30 September 2023**	**As at 31 December 2022**
Property, plant and equipment:		
Approved and contracted for	674	168
Approved but not contracted for	1,259	2,450
	1,933	2,618
Lease contracts yet to commence:		
Plant and equipment	52	49
Total	1,985	2,667

A14. GOODWILL

Below is the movement of goodwill during the period under review:

In RM Mil	**As at 1 January 2023**	**Effect upon finalisation of purchase price allocation**	**Foreign currency translation**	**As at 30 September**
Goodwill	3,014	58	229	3,301

Included as part of the effect upon finalisation of purchase price allocation are fair value adjustment on tangible and intangible assets as well as severance payment of key personnel.

A15. LONG TERM RECEIVABLES

In RM Mil	**As at 30 September 2023**	**As at 31 December 2022**
Trade receivable	25	22
Other receivables and prepayment	1,183	262
	1,208	284

The Group via its subsidiary has entered into an arrangement on trade receivables which resulted in adjustment of timing for payments of the balances. The receivable was fair valued on initial measurement and is subjected to periodic accretion of interest income over the period of the arrangement.

Included in other receivables and prepayment is consideration on a deferred payment arrangement in relation to a partial divestment of a subsidiary in the current quarter (note A18(i)). Also included in other receivables are amount transferred into escrow account in relation to acquisition of Perstorp in previous year.

A16. TRADE AND OTHER PAYABLES

Details of Group trade and other payables

In RM Mil	As at 30 September 2023	As at 31 December 2022
Non current liabilities		
Trade payables	811	759
Current liabilities		
Trade and other payables	7,065	5,914

The Group via its joint operation entity has entered into an arrangement on trade payables amounting to RM811 million which resulted in adjustment of timing for payments of the balances. The trade payables were fair valued on initial measurement and is subjected to periodic accretion of interest expense over the period of the arrangement.

Included in other payables are pre-operating expenses of a joint operation entity.

A17. FAIR VALUE INFORMATION

The carrying amounts of cash and cash equivalents, short terms 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 transfers 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.

The following table analyses financial instruments carried at fair value shown in the statement of financial position.

A17. FAIR VALUE INFORMATION (continued)

As at 30 September 2023

Fair value of financial instruments carried at fair value

In RM Mil	Level 1	Level 2	Level 3	Total	Nominal value
Financial assets					
Forward foreign exchange contracts					
- within 1 year	–	14	–	14	590
Financial liabilities					
Forward foreign exchange contracts					
- within 1 year	–	(9)	–	(9)	(1,141)
Contingent consideration					
- within 1 year		–	(107)	(107)	(107)

As at 31 December 2022

Fair value of financial instruments carried at fair value

In RM Mil	Level 1	Level 2	Level 3	Total	Nominal value
Financial assets					
Forward foreign exchange contracts					
- within 1 year	–	7	–	7	459
Financial liabilities					
Forward foreign exchange contracts					
- within 1 year	–	(11)	–	(11)	(562)
Contingent consideration					
- within 2 years	–	–	(208)	(208)	(208)

A18. SIGNIFICANT EVENT

(i) Pursuant to Bursa announcement dated 24 July 2023 in relation to the divestment of 25% equity interest ("the Divestment") in PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd. ("PCFS"), a wholly owned subsidiary of the Group, to SMJ Sdn. Bhd. ("SMJ"), the Completion Memorandum has been executed between PCG and SMJ on 24 July 2023 to record the fulfillment of Completion under the Share Purchase Agreement dated 25 April 2023. With the completion of this Divestment, PCFS continues to be a subsidiary of PCG.

(ii) Pursuant to the completion of acquisition of Perstorp on 11 October 2022, Perstorp has become a wholly-owned subsidiary of the Group. The net identifiable assets and goodwill disclosed in the Audited Financial Statements for the year ended 31 December 2022 were based on provisional figures which was expected to be finalised within twelve months from the acquisition date.

Upon finalisation of the purchase price allocation for the acquisition, the fair value of the net assets and goodwill were updated based on final valuation of Perstorp of which tangible and intangible assets along with the corresponding deferred tax liability were recognised. The intangible assets relate to the fair value of trademarks, patents and know-how, customer relations and other intangibles, whilst the goodwill reflects the synergy that Perstorp will contribute to the Group.

As at 30 September 2023, depreciation & amortisation of the tangible & intangible assets and tax expense impact in relation to the deferred tax liability have been reflected accordingly.

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

A18. SIGNIFICANT EVENT (continued)

(ii) Effects of the acquisition based on finalised fair value figures are as follows:

In RM Mil	Fair value
Property, plant and equipment	3,733
Intangible assets	5,794
Deferred tax assets	265
Other non-current assets	122
Trade and other inventories	1,206
Trade and other receivables	670
Tax recoverable	7
Cash and cash equivalents	468
Borrowings	(4,092)
Lease liabilities	(37)
Deferred tax liabilities	(1,620)
Other non-current liabilities	(294)
Trade and other payables	(1,447)
Taxation	(10)
Net identifiable assets and liabilities	4,765
Less: Non-controlling interest	(195)
Add: Goodwill on acquisition	2,943
Purchase consideration	7,513
Add: Settlement of existing loans	4,060
Payment for acquisition	11,573
Less: Cash and cash equivalents acquired	(468)
Payment for acquisition, net of cash acquired	11,105

PART B – OTHER EXPLANATORY NOTES

B1. REVIEW OF GROUP PERFORMANCE

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

							Individual quarter ended 30 September	
	2023	2022	2023	2022	2023	2022	2023	2022 Restated
In RM Mil		Group		Olefins and Derivatives		Fertilisers and Methanol		Specialties
Revenue	**6,784**	7,032	**3,496**	3,419	**1,809**	3,187	**1,467**	413
Profit after tax	**439**	1,898	**211**	843	**360**	994	**44**	37
EBITDA[3]	**1,000**	1,960	**404**	697	**601**	1,263	**48**	52

PCG Group recorded lower plant utilisation rate of 77% as compared to 97% in the corresponding quarter mainly due to higher statutory turnaround and plant maintenance activities during the quarter resulting in lower production & sales volumes.

Revenue was lower by RM248 million or 4% at RM6.8 billion largely due to lower product prices and sales volumes, partially offset by revenue contribution from Perstorp.

EBITDA was lower by RM960 million or 49% at RM1.0 billion mainly due to lower products spreads and higher energy & utilities costs. Profit after tax decreased by RM1.5 billion or 77% at RM439 million in line with lower EBITDA.

Olefins and Derivatives

The segment's operational performance recorded lower plant utilisation rate of 79% as compared to 97% in the corresponding quarter mainly due to higher plant maintenance activities during the quarter resulting in lower production volume.

Revenue was higher by RM77 million or 2% at RM3.5 billion primarily due to higher revenue contribution from a joint operation entity and weakening of Ringgit Malaysia against US Dollar.

EBITDA was lower by RM293 million or 42% at RM404 million following lower product spreads as well as higher maintenance and energy & utilities costs. Profit after tax was also lower by RM632 million or 75% at RM211 million in line with lower EBITDA.

Fertilisers and Methanol

The segment recorded lower plant utilisation rate of 76% as compared to 94% in the corresponding quarter mainly due to higher statutory turnaround and plant maintenance activities resulting in lower production and sales volumes.

The segment's revenue decreased by RM1.4 billion or 43% at RM1.8 billion primarily attributed to lower product prices, partially offset by weakening of Ringgit Malaysia against US Dollar.

EBITDA was lower by RM662 million or 52% at RM601 million mainly due to lower product spreads. Profit after tax was lower by RM634 million or 64% at RM360 million in line with lower EBITDA.

[3] EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit after tax of equity accounted joint ventures and associates and other significant non-cash items.

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

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

Specialties

The segment's revenue increased by RM1.1 billion at RM1.5 billion primarily due to inclusion of Perstorp. EBITDA was lower by RM4 million or 8% at RM48 million mainly due to compressed margin attributable to declining in sales price, partially offset by EBITDA of Perstorp. The segment recorded higher profit after tax compared to corresponding quarter by RM7 million or 19% at RM44 million largely contributed by inclusion of Perstorp.

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

	Cumulative quarter ended 30 September							
	2023	2022	2023	2022	2023	2022	2023	2022 Restated
In RM Mil	Group		Olefins and Derivatives		Fertilisers and Methanol		Specialties	
Revenue	**21,454**	20,249	**10,522**	9,438	**6,091**	9,317	**4,803**	1,460
Profit/(loss) after tax	**1,608**	5,843	**802**	2,531	**1,134**	2,958	**(149)**	276
EBITDA[4]	**3,142**	6,350	**1,287**	2,494	**1,843**	3,660	**174**	375

PCG Group recorded comparable plant utilisation rate of 85% against the corresponding period.

Revenue was higher by RM1.2 billion or 6% at RM21.5 billion largely due to revenue contribution from Perstorp and a joint operation entity, partially offset by lower product prices.

EBITDA was lower by RM3.2 billion or 51% at RM3.1 billion mainly due to lower product spreads and higher energy & utilities costs. Profit after tax decreased by RM4.2 billion or 73% at RM1.6 billion in line with lower EBITDA.

Olefins and Derivatives

The segment's operational performance recorded comparable plant utilisation rate of 90% against the corresponding period.

Revenue was higher by RM1.1 billion or 12% at RM10.5 billion primarily due to higher sales volumes contributed by a joint operation entity and weakening of Ringgit Malaysia against US Dollar.

EBITDA was lower by RM1.2 billion or 48% at RM1.3 billion following lower product spreads and higher energy & utilities costs. Profit after tax also decreased by RM1.7 billion or 68% at RM802 million in line with lower EBITDA and lower share of profit from joint ventures and associates.

Fertilisers and Methanol

The segment's operational performance recorded comparable plant utilisation rate of 82%.

The segment recorded lower revenue by RM3.2 billion or 35% at RM6.1 billion mainly due to lower product prices.

EBITDA was lower by RM1.8 billion or 50% at RM1.8 billion following lower product spreads. Profit after tax also decreased by RM1.8 billion or 62% at RM1.1 billion in line with lower EBITDA.

[4] EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit after tax of equity accounted joint ventures and associates and other significant non-cash items.

PART B – OTHER EXPLANATORY NOTES

B1. REVIEW OF GROUP PERFORMANCE (continued)

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

Specialties

The segment's revenue increased by RM3.3 billion at RM4.8 billion primarily due to inclusion of Perstorp.

EBITDA was lower by RM201 million or 54% at RM174 million mainly due to compressed margin and lower sales volume largely attributable to lower demand and price competition, partially offset by EBITDA of Perstorp for the current year. The segment recorded loss after tax of RM149 million as compared to profit after tax in the corresponding period of RM276 million in line with lower EBITDA and unrealised foreign exchange loss on revaluation of shareholders loan.

(c) Variation of results against the preceding quarter

In RM Mil	Individual quarter ended 30 September 2023	30 June 2023
Revenue	**6,784**	7,113
Profit after tax	**439**	633
EBITDA[5]	**1,000**	1,058

PCG Group recorded lower plant utilisation rate of 77% as compared to 82% in the preceding quarter mainly due to higher statutory turnaround and plant maintenance activities resulting in lower production and sales volumes.

Revenue was lower by RM329 million or 5% at RM6.8 billion mainly due to lower sales volumes and product prices, partially offset by higher revenue contribution from a joint operation entity.

EBITDA was comparable at RM1.0 billion. However, profit after tax was lower by RM194 million or 31% at RM439 million mainly due to lower foreign exchange gain on revaluation of loan to a joint operation entity.

(d) Highlight on consolidated statement of financial position

In RM Mil	As at 30 September 2023	As at 31 December 2022
Total assets	**58,678**	55,430
Total equity	**41,584**	39,733
ROE (%)	**5.0**	15.9

The Group's total assets were higher by RM3.2 billion or 6% at RM58.7 billion. This was mainly due to the increase in property, plant and equipment in relation to the capital investment in the petrochemical projects within the Pengerang Integrated Complex, Penta plant in Sayakha, India and plant improvement projects. Additionally, there was an increase in long term receivables in relation to deferred payment consideration arising from partial divestment of a subsidiary.

[5] EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit after tax of equity accounted joint ventures and associates and other significant non-cash items.

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

(e) Highlight on consolidated statement of cash flows

	Cumulative quarter ended 30 September	
In RM Mil	**2023**	**2022**
Net cash generated from operating activities	**3,625**	6,294
Net cash used in investing activities	**(1,538)**	(1,243)
Net cash used in financing activities	**(2,178)**	(3,752)

Net cash generated from operating activities was lower by RM2.7 billion or 42% at RM3.6 billion mainly due to lower profit generated during the period.

Net cash used in investing activities was higher by RM295 million or 24% at RM1.5 billion primarily due to payment of earn out in relation to acquisition of BRB Group in 2019.

Net cash used in financing activities for the year was lower by RM1.6 billion or 42% at RM2.2 billion due to lower dividend payment to shareholders.

B2. COMMENTARY ON PROSPECTS

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

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.

The Group anticipates product prices for olefins & derivatives to soften on lower downstream demand towards the year end. Fertiliser and methanol product prices are forecast to stabilise amidst short supply in the region. For specialties, the Group expects weaker sales and earnings in view of slower industrial growth impacting demand.

B3. PROFIT FORECAST OR PROFIT GUARANTEE

The Group does not publish any profit forecast or profit guarantee.

PART B – OTHER EXPLANATORY NOTES (continued)

B4. OPERATING PROFIT

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Included in profit for the period are the following charges:				
Depreciation and amortisation	**491**	354	**1,457**	1,102
Inventories written down to net realisable value	**—**	—	**29**	—
and credits:				
Interest income	**96**	94	**255**	166
Fair value gain	**—**	16	**—**	70
Finance income	**—**	276	**—**	276
Inventories written back to net realisable value	**11**	70	**—**	37
Amortisation of deferred income	**22**	22	**66**	67
Net gain on foreign exchange	**112**	70	**185**	263

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

Foreign exchange exposure / hedging policy

The Group is exposed to varying levels of foreign exchange risk when they enter into transactions that are not denominated in the respective companies' functional currencies and when foreign currency monetary assets & liabilities are retranslated at the reporting date. The main underlying economic currencies of the Group's cash flows are Ringgit Malaysia and US Dollar.

The Group's foreign exchange management policies aim to minimise transactional exposure arising from currency movements. The Group mainly relies on the natural hedge arising from most of its revenue and expenses being denominated in US Dollar. In addition, the Group, where applicable, hedge using derivative instruments in respect of current and forecasted transactions.

B5. TAX EXPENSE

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Current tax expenses				
Current period tax	**149**	108	**274**	348
(Over)/under provision in respect of prior periods	**(12)**	2	**(12)**	2
	137	110	**262**	350
Deferred tax expenses				
Origination and reversal of temporary differences	**(14)**	(6)	**(24)**	(37)
Under provision in respect of prior periods	**24**	18	**24**	16
	10	12	**—**	(21)
	147	122	**262**	329

B5. TAX EXPENSE (continued)

The Group's effective tax rates for the individual and cumulative quarter ended 30 September 2023 are 25% and 14% respectively which, are reflective of the various tax legislation within which the Group operates including among others Malaysia Income Tax Act 1967 and Global Incentive for Trading (GIFT) under Labuan Financial Services and Securities Act 2010. The higher effective tax rate in the current quarter against cumulative quarter is due to higher non-deductible expenses.

B6. STATUS OF CORPORATE PROPOSALS

There were no new corporate proposals during the period under review since the last audited consolidated financial statements for the year ended 31 December 2022.

B7. TRADE AND OTHER RECEIVABLES

(a) Details of Group trade and other receivables

In RM Mil	**As at 30 September 2023**	**As at 31 December 2022**
Trade receivables:		
– Third party	**2,148**	2,714
– Joint ventures and associates	**203**	253
– Related companies	**211**	103
Other receivables	**1,178**	549
Total	**3,740**	3,619

Average credit term for trade receivables granted to related parties and non-related parties is 45 days.

(b) Ageing analysis of trade receivables

In RM Mil	**As at 30 September 2023**	**As at 31 December 2022**
Current	**2,511**	2,983
Past due 1 to 30 days	**45**	66
Past due 31 to 60 days	**3**	23
Past due 61 to 90 days	**16**	12
Past due more than 90 days	**12**	8
Total	**2,587**	3,092

With respect to the Group's trade receivables, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

PART B – OTHER EXPLANATORY NOTES (continued)

B8. BORROWINGS

	Denominated currency	*In denominated currency* As at 30 September 2023 Mil	*In denominated currency* As at 31 December 2022 Mil	*In presentation currency* As at 30 September 2023 RM Mil	*In presentation currency* As at 31 December 2022 RM Mil
Non-current					
Term loans - secured	USD	**357**	370	**1,678**	1,635
Term loan - unsecured	USD	**160**	157	**752**	695
Term loan - unsecured	EUR	**32**	34	**160**	159
				2,590	2,489
Current					
Term loans - secured	USD	**32**	26	**151**	115
Term loans - unsecured	CNY	**20**	20	**13**	13
Term loans - unsecured	EUR	**1**	–	**3**	–
Revolving credit - unsecured	CAD	**–**	– *	**–**	1*
Revolving credit - unsecured	RM	**100**	100	**100**	100
				267	229

There are two EUR unsecured term loans which bear interests of 0.71% per annum and interest margin above EURIBOR of 0.85% per annum respectively. These loans are repayable on various dates between 2023 and 2027. The CAD unsecured revolving credit in prior year bears interest margin of 1.5% above prime rate Canada.

The USD unsecured term loan is pursuant to the co-borrowing agreement between the joint operation company and a related party under an integrated borrowing structure. The loan which bears nil interest was fair valued as a Level 3 fair value on initial recognition with an effective interest rate ranging from 2.33% to 4.18% per annum and due for a final repayment twelve months following the final discharge of the project financing, mentioned below.

There are two CNY unsecured term loans which bear interests of 3.85% and 4.10% per annum respectively.

The RM unsecured revolving credit bears interest margin of 0.70% above KLIBOR for first RM30 million and 0.90% above KLIBOR for the remaining outstanding amount of the facility.

The USD secured term loans relate to 50% share of project financing facility of a joint operation company. The loans bear interest margin above 6-month LIBOR ranging from 0.80% to 1.74% per annum and is repayable on various dates between 2021 and 2034.

The loans are secured in the following manner:

i. Completion guarantee from the ultimate holding company, PETRONAS on several and not joint basis which will be uplifted and terminated upon meeting all project completion requirements;
ii. Cross-guarantee arrangement under an integrated borrowing structure due to the nature of the project with a related party; and
iii. Charge over ordinary shares and the land lease rights of the said joint operation company.

*Amount of revolving credit – unsecured is CAD355,000; (RM1,156,311) translated at exchange rate of CAD1.0000 : RM3.2571), being the middle rate quoted by Reuters on 31 December 2022.

PART B – OTHER EXPLANATORY NOTES (continued)

B9. DERIVATIVE FINANCIAL INSTRUMENTS

There were no changes to the Group's derivative financial instruments since the last audited consolidated financial statements for the year ended 31 December 2022, other than as disclosed in note A17.

B10. 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 period under review.

B11. MATERIAL LITIGATION

There was no pending material litigation since the last audited consolidated financial statements for the year ended 31 December 2022.

B12. BASIC EARNINGS PER SHARE

Basic earnings per share is derived based on the profit attributable to shareholders of the Company and number of ordinary shares of the Company.

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Profit for the period attributable to shareholders of the Company	**424**	1,895	**1,584**	5,841
In millions of shares				
Number of ordinary shares issued	**8,000**	8,000	**8,000**	8,000
In sen				
Basic earnings per share	**5**	24	**20**	73

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.

PART B – OTHER EXPLANATORY NOTES (continued)

B13. EXCHANGE RATES

		Individual quarter ended			Cumulative quarter ended	
USD/MYR	30 September 2023	30 June 2023	30 September 2022	30 September 2023	31 December 2022	30 September 2022
Average rate	**4.6277**	4.4520	4.4820	**4.5144**	4.4001	4.3416
Closing rate	**4.6950**	4.6860	4.6375	**4.6950**	4.4150	4.6375
EUR/MYR						
Average rate	**5.0363**	4.9260	4.5150	**4.8906**	4.6311	4.6199
Closing rate	**4.9603**	5.0946	4.5568	**4.9603**	4.7099	4.5568

By order of the Board

Azira Marini Binti Ab Rahim (SSM Practising Certificate No. 201908001107)
Mek Yam @ Mariam Hassan (SSM Practising Certificate No. 201908000788)
Company Secretaries

Kuala Lumpur
28 November 2023