PETRONAS CHEMICALS GROUP BERHAD

Quarterly Report

For Fourth Quarter and Year Ended 31 December 2023

QUARTERLY REPORT
FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2023

The Board of Directors of PETRONAS Chemicals Group Berhad ("PCG" or the "Company") is pleased to announce the following condensed consolidated financial statements for the quarter ended 31 December 2023 which should be read in conjunction with the accompanying explanatory notes on pages 8 to 23.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Individual quarter ended 31 December		**Year ended[1] 31 December**	
In RM Mil	**Note**	**2023**	**2022**	**2023**	**2022**
Revenue	**A9.1**	**7,213**	8,704	**28,667**	28,953
Cost of revenue		**(6,236)**	(6,707)	**(23,882)**	(20,277)
Gross profit		**977**	1,997	**4,785**	8,676
Selling and distribution expenses		**(472)**	(539)	**(1,906)**	(1,436)
Administration expenses		**(384)**	(493)	**(1,394)**	(1,157)
Other expenses		**(152)**	(428)	**(40)**	(166)
Other income		**287**	83	**711**	717
Operating profit	**B4**	**256**	620	**2,156**	6,634
Financing costs		**(44)**	(32)	**(139)**	(66)
Share of profit/(loss) after tax of equity-accounted associates and joint ventures		**28**	(27)	**93**	165
Profit before taxation		**240**	561	**2,110**	6,733
Tax expense	**B5**	**(98)**	(77)	**(360)**	(406)
PROFIT FOR THE PERIOD/YEAR		**142**	484	**1,750**	6,327
Profit attributable to:					
Shareholders of the Company		**112**	481	**1,696**	6,322
Non-controlling interests		**30**	3	**54**	5
PROFIT FOR THE PERIOD/YEAR		**142**	484	**1,750**	6,327
Basic earnings per share attributable to shareholders of the Company:					
Based on ordinary shares issued (sen)	**B13**	**1**	6	**21**	79

[1] Extracted from Audited Financial Statements for the financial year ended 31 December 2023 & 31 December 2022.

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

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

		Individual quarter ended 31 December		Year ended[1] 31 December	
In RM Mil	**Note**	**2023**	**2022**	**2023**	**2022**
PROFIT FOR THE PERIOD/YEAR		**142**	484	**1,750**	6,327
Other comprehensive (loss)/income					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability		**(10)**	33	**(67)**	33
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences		**567**	(191)	**1,635**	1,550
Share of other comprehensive (loss)/income of equity-accounted joint ventures and associates		**(32)**	(90)	**(23)**	89
Total other comprehensive income for the period/year		**525**	(248)	**1,545**	1,672
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR		**667**	236	**3,295**	7,999
Total other comprehensive income attributable to:					
Shareholders of the Company		**627**	230	**3,228**	7,993
Non-controlling interests		**40**	6	**67**	6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR		**667**	236	**3,295**	7,999

[1] Extracted from Audited Financial Statements for the financial year ended 31 December 2023 & 31 December 2022.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM Mil	Note	As at 31 December 2023	As at 31 December 2022
ASSETS			
Property, plant and equipment		29,437	27,213
Investments in joint ventures and associates		1,710	1,665
Intangible assets		10,253	9,364
Long term receivables	A15	1,027	284
Retirement benefits		95	88
Deferred tax assets		746	798
TOTAL NON-CURRENT ASSETS		43,268	39,412
Trade and other inventories		3,767	3,465
Trade and other receivables	B7	3,857	3,619
Tax recoverable		46	46
Cash and cash equivalents		9,268	8,888
TOTAL CURRENT ASSETS		16,938	16,018
TOTAL ASSETS		60,206	55,430
EQUITY			
Share capital		8,871	8,871
Reserves		31,544	30,207
Total equity attributable to shareholders of the Company		40,415	39,078
Non-controlling interests		1,659	655
TOTAL EQUITY		42,074	39,733
LIABILITIES			
Borrowings	B8	2,473	2,489
Lease liabilities		1,930	1,688
Provisions		299	221
Trade payables	A16	692	759
Retirement benefits		279	242
Other long term liabilities		1,139	1,432
Deferred tax liabilities		2,371	2,364
TOTAL NON-CURRENT LIABILITIES		9,183	9,195
Borrowings	B8	500	229
Lease liabilities		229	125
Trade and other payables	A16	8,042	5,914
Taxation		178	234
TOTAL CURRENT LIABILITIES		8,949	6,502
TOTAL LIABILITIES		18,132	15,697
TOTAL EQUITY AND LIABILITIES		60,206	55,430
Net assets per share attributable to shareholders of the Company (RM)		5.05	4.88

The condensed consolidated statement of financial position was extracted from the Audited Financial Statements as at 31 December 2023 & 31 December 2022 and should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

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**
Year ended 31 December 2023				
At 1 January 2023	8,871	1,573	(204)	1,165
Foreign currency translation differences	—	1,622	—	—
Share of other comprehensive income of equity-accounted joint ventures and associates	—	—	—	(23)
Remeasurement of defined benefit liability	—	—	—	(67)
Total other comprehensive income/(loss) for the year	—	1,622	—	(90)
Profit for the year	—	—	—	—
Total comprehensive income/(loss) for the year	—	1,622	—	(90)
Transfer from retained profits upon redemption of redeemable preference shares of a subsidiary	—	—	—	532
Change in ownership interest in a subsidiary (note A18(i))	—	—	—	(91)
Dividends to shareholders of the Company (note A8)	—	—	—	—
Others	—	—	—	1
Total transactions with owners of the Group	—	—	—	442
Balance at 31 December 2023	8,871	3,195	(204)	1,517

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Year ended 31 December 2022				
Balance at 1 January 2022	8,871	24	(204)	1,042
Foreign currency translation differences	—	1,549	—	—
Share of other comprehensive income of equity-accounted joint ventures and associates	—	—	—	89
Remeasurement of defined benefit liability	—	—	—	33
Total other comprehensive income for the year	—	1,549	—	122
Profit for the year	—	—	—	—
Total comprehensive income for the year	—	1,549	—	122
Dividends to shareholders of the Company	—	—	—	—
Dividends to a non-controlling interest	—	—	—	—
Others	—	—	—	1
Total transactions with owners of the Group	—	—	—	1
Acquisition of a subsidiary with non-controlling interest	—	—	—	—
Balance at 31 December 2022	8,871	1,573	(204)	1,165

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The condensed consolidated statement of changes in equity was extracted from the Audited Financial Statements for the year ended 31 December 2023 & 31 December 2022 and should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

In RM Mil	***Attributable to shareholders of the Company***			
	Distributable			
	Retained Profits	**Total**	**Non-controlling interests**	**Total Equity**
Year ended 31 December 2023				
At 1 January 2023	27,673	39,078	655	39,733
Foreign currency translation differences	—	1,622	13	1,635
Share of other comprehensive income of equity-accounted joint ventures and associates	—	(23)	—	(23)
Remeasurement of defined benefit liability	—	(67)	—	(67)
Total other comprehensive income/(loss) for the year	—	1,532	13	1,545
Profit for the year	1,696	1,696	54	1,750
Total comprehensive income/(loss) for the year	1,696	3,228	67	3,295
Transfer from retained profits upon redemption of redeemable preference shares of a subsidiary	(532)	—	(177)	(177)
Change in ownership interest in a subsidiary (note A18(i))	120	29	1,114	1,143
Dividends to shareholders of the Company (note A8)	(1,920)	(1,920)	—	(1,920)
Others	(1)	—	—	—
Total transactions with owners of the Group	(2,333)	(1,891)	937	(954)
Balance at 31 December 2023	27,036	40,415	1,659	42,074

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Year ended 31 December 2022				
Balance at 1 January 2022	25,118	34,851	535	35,386
Foreign currency translation differences	—	1,549	1	1,550
Share of other comprehensive income of equity-accounted joint ventures and associates	—	89	—	89
Remeasurement of defined benefit liability	—	33	—	33
Total other comprehensive income for the year	—	1,671	1	1,672
Profit for the year	6,322	6,322	5	6,327
Total comprehensive income for the year	6,322	7,993	6	7,999
Dividends to shareholders of the Company	(3,840)	(3,840)	—	(3,840)
Dividends to a non-controlling interest	—	—	(4)	(4)
Others	73	74	(77)	(3)
Total transactions with owners of the Group	(3,767)	(3,766)	(81)	(3,847)
Acquisition of a subsidiary with non-controlling interest	—	—	195	195
Balance at 31 December 2022	27,673	39,078	655	39,733

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The condensed consolidated statement of changes in equity was extracted from the Audited Financial Statements for the year ended 31 December 2023 & 31 December 2022 and should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In RM Mil	2023	Year ended 31 December 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,110	6,733
Adjustments for:		
- Amortisation of deferred income	(87)	(88)
- Depreciation and amortisation	1,978	1,589
- Financing costs	139	66
- Finance income	(133)	(242)
- Interest income	(386)	(247)
- Share of profit after tax of equity-accounted joint ventures and associates	(93)	(165)
- Unrealised forex gain	(38)	(494)
- Other non-cash items	331	202
Operating profit before changes in working capital	3,821	7,354
Change in trade and other inventories	(332)	96
Change in trade and other receivables	165	(225)
Change in trade and other payables	1,502	1,039
Cash generated from operations	5,156	8,264
Interest income received	386	247
Taxation paid	(423)	(462)
Net cash generated from operating activities	5,119	8,049
CASH FLOWS FROM INVESTING ACTIVITIES		
Adjustment on purchase consideration for acquisition of a subsidiary	2	—
Dividends received from joint ventures and associates	23	106
Investments in joint ventures and associates	—	(47)
Payment for acquisition of a subsidiary, net of cash acquired	—	(11,107)
Payment of deferred consideration	—	(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
Proceeds from disposal of property, plant and equipment	3	—
Purchase of property, plant and equipment	(2,352)	(1,881)
Redemption of preference shares in an associate	—	27
Redemption of preference shares to a non-controlling interest	(38)	—
Net cash used in investing activities	(2,593)	(12,951)
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	—	352
- revolving credit	226	150
Payment of lease liabilities:		
- principal	(141)	(67)
- interest	(84)	(50)
Repayment of revolving credit	(1)	(141)
Repayment of term loans:		
- principal	(124)	(146)
- interest	(131)	(60)
Net cash used in financing activities	(2,175)	(3,806)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In RM Mil	Year ended 31 December 2023	2022
Net cash flows from operating, investing and financing activities	**351**	(8,708)
Effect of foreign currency translation differences	**(172)**	470
Net increase/(decrease) in cash and cash equivalents	**179**	(8,238)
Net foreign exchange differences on cash held	**201**	736
Cash and cash equivalents at beginning of the year	**8,888**	16,390
Cash and cash equivalents at end of the year	**9,268**	8,888

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The condensed consolidated statement of cash flows was extracted from the Audited Financial Statements for the year ended 31 December 2023 & 31 December 2022 and 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 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 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 year ended 31 December 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 year, 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 and MFRS Practice Statement 2 (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)*
Amendments to MFRS 112	*Income Taxes (International Tax Reform - Pillar Two Model Rules)*

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

Amendments to MFRS 112 *Income Taxes International Tax Reform - Pillar Two Model Rules*

On 2 June 2023, the MASB has also issued the Amendments to MFRS 112 *Income Taxes International Tax Reform – Pillar Two Model Rules.* This pronouncement is effective from annual period beginning on or after 1 January 2023. On 29 December 2023, Pillar Two legislation has been enacted in Malaysia, which will come into effect on 1 January 2025. Certain subsidiaries within the Group also operate within jurisdictions that has been enacted or substantively enacted as at 31 December 2023.

The Amendments to MFRS 112 introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two Model Rules as well as disclosure requirements on the exposure to Pillar Two income taxes upon adoption.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements available for the constituent entities in the PETRONAS Group. Based on the initial assessment carried out as at 31 December 2023, the Group has identified potential exposure to Pillar Two income taxes on several jurisdictions where effective tax rate is likely to be lower than 15%. The potential exposure is expected to come from the constituent entities in these jurisdictions. The exposure may also exist in other jurisdictions where the assessment is in progress.

The Group, however, does not expect a material exposure to Pillar Two income taxes in the jurisdiction.

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.

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 year under review.

A6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of the amounts reported in the most recent annual financial statements of PCG and its subsidiaries for the year ended 31 December 2022 that may have a material effect in the results of the year under review.

A7. DEBT AND EQUITY SECURITIES

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

A8. DIVIDENDS PAID

During the year 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 ended 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. The following summary describes the operations in each of the Group's reportable segments:

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

- Fertilisers and Methanol – activities include manufacturing and marketing 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 & 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

						Year ended 31 December
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
In RM Mil		**Third-parties**		**Inter-segment**		**Gross total**
Olefins and Derivatives	**13,732**	12,929	**—**	3	**13,732**	12,932
Fertilisers and Methanol	**8,501**	12,850	**—**	—	**8,501**	12,850
Specialties	**6,385**	3,125	**—**	—	**6,385**	3,125
Others	**49**	49	**42**	43	**91**	92
Total	**28,667**	28,953	**42**	46	**28,709**	28,999

9.2 Segment profit/(loss) for the year [2]

		Year ended 31 December
In RM Mil	**2023**	**2022**
Olefins and Derivatives	**707**	2,577
Fertilisers and Methanol	**1,661**	4,070
Specialties	**(198)**	144
Others[3]	**(420)**	(464)
Total	**1,750**	6,327

During the year, the Group's investment holding company has provided for depreciation & amortisation of the tangible & intangible assets impact amounting to RM225 million arising from finalisation of the purchase price allocation for the acquisition of Perstorp in 2022 which has been included in Others.

A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment for the year under review. As at 31 December 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 year under review.

[2] Included within profit for the year for Olefins and Derivatives, Fertilisers and Methanol, Specialties and Others segments are depreciation and amortisation expenses amounting to RM500 million (2022: RM544 million), RM931 million (2022: RM863 million), RM299 million (2022: RM78 million) and RM248 million (2022: RM104 million) respectively.
[3] 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 year are as follows:

In RM Mil	As at 31 December 2023	As at 31 December 2022
Property, plant and equipment:		
Approved and contracted for	80	168
Approved but not contracted for	3,329	2,450
	3,409	2,618
Lease contracts yet to commence:		
Plant and equipment	51	49
Total	3,460	2,667

A14. GOODWILL

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

In RM Mil	As at 1 January 2023	Effect upon finalisation of purchase price allocation	Foreign currency translation	As at 31 December 2023
Goodwill	3,014	58	460	3,532

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 31 December 2023	As at 31 December 2022
Trade receivable	22	22
Other receivables and prepayments	1,005	262
	1,027	284

The Group via its subsidiary has entered into an arrangement on trade receivable 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 prepayments is consideration on a deferred payment arrangement in relation to a partial divestment of a subsidiary during the year (note A18(i)).

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

A16. TRADE AND OTHER PAYABLES

In RM Mil	As at 31 December 2023	As at 31 December 2022
Non current liabilities		
Trade payables	**692**	759
Current liabilities		
Trade and other payables	**8,042**	5,914

The Group and the Company via its joint operation entity has arrangements on trade payables amounting to RM1,161 million (2022: RM915 million), which resulted in an 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. During the year, the joint operation entity has remeasured these balances based on the extended timing for payments, which resulted in a remeasurement gain amounting to RM114 million (2022: RM257 million) being recognised in the profit or loss.

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. as 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 transfers.

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 31 December 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	–	12	–	12	196
Financial liabilities					
Forward foreign exchange contracts					
- within 1 year	–	(13)	–	(13)	(1,470)
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 EVENTS

(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 Energy Sdn. Bhd. ("SMJ") (formerly known as SMJ Sdn. Bhd.), 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 during the year, 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, know-how and patents & customer relations, whilst the goodwill reflects the synergy that Perstorp will contribute to the Group.

As at 31 December 2023, depreciation & amortisation of the tangible & intangible assets and tax expense impact in relation to the deferred tax liability have been reflected accordingly.

A18. SIGNIFICANT EVENTS (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 31 December	
	2023	2022	2023	2022	2023	2022	2023	2022
In RM Mil	Group		Olefins and Derivatives		Fertilisers and Methanol		Specialties	
Revenue	**7,213**	8,704	**3,210**	3,494	**2,410**	3,533	**1,582**	1,664
Profit/(loss) after tax	**142**	484	**(95)**	47	**527**	1,112	**(49)**	(163)
EBITDA[4]	**655**	1,740	**(67)**	372	**770**	1,428	**5**	7

PCG Group recorded lower plant utilisation rate of 84% as compared to 100% 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 RM1.5 billion or 17% at RM7.2 billion largely due to lower product prices and sales volume, partially offset by revenue contribution from joint operation entity.

EBITDA was lower by RM1.1 billion or 62% at RM655 million mainly due to lower product spreads and sales volume. Profit after tax decreased by RM342 million or 71% at RM142 million in line with lower EBITDA, partially offset by lower unrealised foreign exchange loss in relation to shareholder's loans and remeasurement gain on trade payables amounting to RM114 million.

Olefins and Derivatives

The segment's operational performance recorded lower plant utilisation rate of 71% as compared to 99% 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 RM284 million or 8% at RM3.2 billion primarily attributed to lower product prices and sales volume.

EBITDA was lower by RM439 million following lower sales volume and product spreads. The segment recorded loss after tax of RM95 million as compared to profit after tax in the corresponding quarter of RM47 million in line with lower EBITDA, partially cushioned by remeasurement gain on trade payables amounting to RM114 million.

Fertilisers and Methanol

The segment recorded lower plant utilisation rate of 91% as compared to 100% in the corresponding quarter mainly due to higher plant maintenance activities resulting in lower production and sales volumes.

The segment's revenue decreased by RM1.1 billion or 32% at RM2.4 billion primarily attributed to lower product prices and sales volume.

EBITDA was lower by RM658 million or 46% at RM770 million mainly due to lower product spreads. Profit after tax was lower by RM585 million or 53% at RM527 million 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.

B1. REVIEW OF GROUP PERFORMANCE (continued)

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

Specialties

The segment's revenue decreased by RM82 million at RM1.6 billion mainly due to compressed margin attributable to declining sales price.

EBITDA was lower by RM2 million or 29% at RM5 million mainly due to compressed margin attributable to declining sales price. The segment recorded lower loss after tax compared to corresponding quarter by RM114 million or 70% at RM49 million following favourable net foreign exchange impact.

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

	Year ended 31 December							
	2023	2022	2023	2022	2023	2022	2023	2022
In RM Mil	Group		Olefins and Derivatives		Fertilisers and Methanol		Specialties	
Revenue	**28,667**	28,953	**13,732**	12,932	**8,501**	12,850	**6,385**	3,125
Profit/(loss) after tax	**1,750**	6,327	**707**	2,577	**1,661**	4,070	**(198)**	144
EBITDA[5]	**3,796**	8,090	**1,220**	2,866	**2,613**	5,088	**179**	382

PCG Group recorded lower plant utilisation rate of 85% as compared to 89% in the corresponding year mainly due to higher plant maintenance activities during the year, resulting in lower production volume.

Revenue was comparable at RM28.7 billion despite lower product prices, as these were partially offset by revenue contribution from Perstorp and a joint operation entity.

EBITDA was lower by RM4.3 billion or 53% at RM3.8 billion mainly due to lower product spreads. Profit after tax also decreased by RM4.6 billion or 72% at RM1.8 billion in line with lower EBITDA.

Olefins and Derivatives

The segment's operational performance recorded lower plant utilisation rate of 85% as compared to 91% in the corresponding year mainly due to higher plant maintenance activities during the year resulting in lower production volume.

Revenue was higher by RM800 million or 6% at RM13.7 billion primarily driven by the higher sales volume contributed by a joint operation entity.

EBITDA was lower by RM1.6 billion or 57% at RM1.2 billion following lower product spreads and higher maintenance, energy and utilities costs. Profit after tax also decreased by RM1.9 billion or 73% at RM707 million in line with lower EBITDA.

Fertilisers and Methanol

The segment recorded lower plant utilisation rate of 84% as compared to 88% in the corresponding year mainly due to higher plant maintenance activities resulting in lower production volume.

The segment recorded lower revenue by RM4.3 billion or 34% at RM8.5 billion mainly due to lower product prices.

EBITDA was lower by RM2.5 billion or 49% at RM2.6 billion following lower product spreads. Profit after tax also decreased by RM2.4 billion or 59% at RM1.7 billion in line with lower EBITDA.

[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.

B1. REVIEW OF GROUP PERFORMANCE (continued)

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

Specialties

The segment's revenue increased by RM3.3 billion at RM6.4 billion following acquisition of Perstorp in October 2022.

EBITDA was lower by RM203 million or 53% at RM179 million mainly due to compressed margin largely attributable to price competition, partially offset by EBITDA of Perstorp. The segment recorded loss after tax of RM198 million as compared to profit after tax in the corresponding year of RM144 million in line with lower EBITDA.

(c) Variation of results against the preceding quarter

In RM Mil	Individual quarter ended 31 December 2023	 30 September 2023
Revenue	**7,213**	6,784
Profit after tax	**142**	439
EBITDA[6]	**655**	1,000

PCG Group recorded higher plant utilisation rate of 84% as compared to 77% in the preceding quarter mainly due to lower statutory turnaround activities resulting in higher production and sales volumes.

Revenue was higher by RM429 million or 6% at RM7.2 billion mainly due to higher sales volume and higher revenue contribution from a joint operation entity and Perstorp, partially offset by lower product prices.

EBITDA was lower by RM345 million or 35% at RM655 million following lower product spreads and higher energy & utilities costs. Profit after tax also decreased by RM297 million or 68% at RM142 million in line with lower EBITDA.

(d) Highlight on consolidated statement of financial position

In RM Mil	As at 31 December 2023	As at 31 December 2022
Total assets	**60,206**	55,430
Total equity	**42,074**	39,733
ROE (%)	**3.8**	15.9

The Group's total assets were higher by RM4.8 billion or 9% at RM60.2 billion. This is 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 intangible assets due to the weakening of Ringgit Malaysia against Euro and Swedish Krona. In addition, there was an increase in long term receivables in relation to deferred payment consideration arising from partial divestment of a subsidiary.

[6] 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.

B1. REVIEW OF GROUP PERFORMANCE (continued)

(e) Highlight on consolidated statement of cash flows

In RM Mil	Year ended 31 December 2023	2022
Net cash generated from operating activities	**5,119**	8,049
Net cash used in investing activities	**(2,593)**	(12,951)
Net cash used in financing activities	**(2,175)**	(3,806)

Net cash generated from operating activities was lower by RM2.9 billion or 36% at RM5.1 billion mainly due to lower profit generated during the year.

Net cash used in investing activities was lower by RM10.4 billion or 80% at RM2.6 billion primarily due to acquisition of a subsidiary undertaken in the corresponding year, partially offset by higher property, plant and equipment.

Net cash used in financing activities for the year was lower by RM1.6 billion or 43% 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 stabilize on returning supply after regional plant maintenance. Fertiliser and methanol product prices are forecast to soften amidst off planting season and ample methanol supply from the Middle East. For specialties, the Group expects a gradual recovery and growth in sales and earnings in view of the slight pickup in end market demand amid the volatile and uncertain environment.

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 31 December		Year ended 31 December	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Included in profit for the period/year are the following charges:				
Depreciation and amortisation	**521**	487	**1,978**	1,589
Inventories written down to net realisable value				
- net write-down to net realisable value	**34**	51	**74**	14
- written off	**4**	9	**4**	11
Fair value loss	**—**	10	**—**	**—**
Finance loss	**—**	34	**—**	15
Net loss on foreign exchange	**115**	412	**—**	149
and credits:				
Interest income	**131**	81	**386**	247
Fair value gain	**—**	—	**—**	60
Finance income	**125**	—	**133**	257
Amortisation of deferred income	**22**	22	**87**	88
Net gain on foreign exchange	**—**	—	**70**	—

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 31 December		Year ended 31 December	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Current tax expenses				
Current period/year tax	**91**	101	**365**	449
Over provision in respect of prior period/year	**—**	(2)	**(12)**	—
	91	99	**353**	449
Deferred tax expenses				
Origination and reversal of temporary differences	**10**	(22)	**(14)**	(59)
(Over)/under provision in respect of prior period/year	**(3)**	—	**21**	16
	7	(22)	**7**	(43)
	98	77	**360**	406

PART B – OTHER EXPLANATORY NOTES (continued)

B5. TAX EXPENSE (continued)

The Group's effective tax rates for the individual and cumulative quarter ended 31 December 2023 are 41% and 17% 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 in relation to higher unrealised foreign exchange loss on payables and shareholder's loan revaluation related to the Group's joint operation entity.

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 31 December 2023	As at 31 December 2022
Trade receivables:		
– Third party	2,355	2,714
– Joint ventures and associates	190	253
– Related companies	93	103
Other receivables	1,219	549
Total	3,857	3,619

Average credit term for trade receivables granted to related parties and non-related parties is 53 days.

(b) Ageing analysis of trade receivables

&

In RM Mil	As at 31 December 2023	As at 31 December 2022
Current	2,506	2,983
Past due 1 to 30 days	140	66
Past due 31 to 60 days	5	23
Past due 61 to 90 days	1	12
Past due more than 90 days	8	8
Total	2,660	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.

B8. BORROWINGS

		In denominated currency		*In presentation currency*	
	Denominated currency	As at 31 December 2023 Mil	As at 31 December 2022 Mil	As at 31 December 2023 RM Mil	As at 31 December 2022 RM Mil
Non-current					
Term loans - secured	USD	341	370	1,570	1,635
Term loan - unsecured	USD	161	157	741	695
Term loan - unsecured	EUR	32	34	162	159
				2,473	2,489
Current					
Term loans - secured	USD	31	26	141	115
Term loans - unsecured	CNY	20	20	13	13
Term loans - unsecured	EUR	1	—	4	—
Revolving credit - unsecured	CAD	—	_*	—	1*
Revolving credit - unsecured	SEK	525	—	242	—
Revolving credit - unsecured	RM	100	100	100	100
				500	229

There are two EUR unsecured term loans which bear interest rate of 0.71% per annum and interest margin above EURIBOR of 0.85% per annum respectively. These loans are repayable on various dates between 2025 and 2027 respectively. 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 entity 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 2.38% to 4.18% per annum and due for a final repayment twelve months following final discharge of the project financing.

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

There are two SEK unsecured revolving credit which bear interests of 5.1% and 4.8% per annum respectively.

The RM unsecured revolving credit bears interest margin of 0.70% above KLIBOR for the 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 entity. The loans bear interest margin above 6-month synthetic USD 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, which is a fully recourse guarantee to the Company, where the ultimate holding company 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 entity.

As at 31 December 2023, the Guaranteed Project Completion Date ("PCD") has been extended from 31 December 2023 to 31 March 2024. Subject to lenders agreement, the Guaranteed PCD is expected to be extended up to 2 years from 31 December 2023.

*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 year 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. DIVIDENDS

The Directors of the Company have declared a second interim single tier dividend of 5 sen per ordinary share, amounting to RM400 million in respect of the financial year ended 31 December 2023 (2022: 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).

The dividend is payable on 26 March 2024 to depositors registered in the Records of Depositors at the close of business on 13 March 2024.

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

a. Shares transferred into the Depositor's Securities Account before 4.00 pm on 13 March 2024 in respect of ordinary transfers.

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

B13. 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 31 December		Year ended 31 December	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Profit for the period/year attributable to shareholders of the Company	**112**	481	**1,696**	6,322
In millions of shares				
Number of ordinary shares issued	**8,000**	8,000	**8,000**	8,000
In sen				
Basic earnings per share	**1**	6	**21**	79

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.

B14. EXCHANGE RATES

	Individual quarter ended			Year ended	
USD/MYR	31 December 2023	30 September 2023	31 December 2022	31 December 2023	31 December 2022
Average rate	4.6976	4.6277	4.5756	4.5602	4.4001
Closing rate	4.5995	4.6950	4.4150	4.5995	4.4150
EUR/MYR					
Average rate	5.0543	5.0363	4.6645	4.9316	4.6311
Closing rate	5.0949	4.9603	4.7099	5.0949	4.7099

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
26 February 2024