



PETRONAS

PETRONAS CHEMICALS GROUP BERHAD
Quarterly Report

For Third Quarter Ended 30 September 2021



QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

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 2021 which should be read in conjunction with the accompanying explanatory notes on pages 7 to 18.

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

In RM Mil	Note	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
		2021	2020	2021	2020
Revenue	A9.1	5,766	3,457	16,049	10,526
Cost of revenue		(3,637)	(2,574)	(9,962)	(8,170)
Gross profit		2,129	883	6,087	2,356
Selling and distribution expenses		(260)	(227)	(759)	(717)
Administration expenses		(181)	(166)	(597)	(537)
Other expenses		(7)	(95)	(26)	(8)
Other income		100	78	335	310
Operating profit	B4	1,781	473	5,040	1,404
Financing costs		(7)	(6)	(20)	(16)
Share of profit/(loss) after tax of equity-accounted joint ventures and associates		255	12	556	(50)
Profit before taxation		2,029	479	5,576	1,338
Tax expense	B5	(66)	(27)	(291)	(208)
PROFIT FOR THE PERIOD		1,963	452	5,285	1,130
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences		98	(287)	455	118
Share of other comprehensive income/(loss) of equity-accounted joint ventures and associates		17	(27)	41	32
Total other comprehensive income/(loss) for the period		115	(314)	496	150
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,078	138	5,781	1,280
Profit/(loss) attributable to:					
Shareholders of the Company		1,964	471	5,285	1,162
Non-controlling interests		(1)	(19)	-	(32)
PROFIT FOR THE PERIOD		1,963	452	5,285	1,130
Total comprehensive income/(loss) attributable to:					
Shareholders of the Company		2,079	158	5,781	1,312
Non-controlling interests		(1)	(20)	-	(32)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,078	138	5,781	1,280
Basic earnings per share attributable to shareholders of the Company:					
Based on ordinary shares issued (sen)	B13	25	6	66	15

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

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	Note	As at 30 September 2021	As at 31 December 2020
ASSETS			
Property, plant and equipment		22,015	20,987
Investments in joint ventures and associates		1,377	722
Intangible assets		710	744
Long term receivables		17	-
Deferred tax assets		832	879
TOTAL NON-CURRENT ASSETS		24,951	23,332
Trade and other inventories		2,174	1,806
Trade and other receivables	B7	2,640	1,938
Tax recoverable		69	46
Cash and cash equivalents		14,987	12,707
TOTAL CURRENT ASSETS		19,870	16,497
TOTAL ASSETS		44,821	39,829
EQUITY			
Share capital		8,871	8,871
Reserves		24,956	21,575
Total equity attributable to shareholders of the Company		33,827	30,446
Non-controlling interests		567	563
TOTAL EQUITY		34,394	31,009
LIABILITIES			
Borrowings	B8	1,995	1,994
Lease liabilities		1,470	908
Provisions		259	247
Other long term liabilities		1,326	1,434
Deferred tax liabilities		982	993
TOTAL NON-CURRENT LIABILITIES		6,032	5,576
Borrowings	B8	383	198
Lease liabilities		85	80
Trade and other payables		3,692	2,893
Taxation		235	73
TOTAL CURRENT LIABILITIES		4,395	3,244
TOTAL LIABILITIES		10,427	8,820
TOTAL EQUITY AND LIABILITIES		44,821	39,829
Net assets per share attributable to shareholders of the Company (RM)		4.23	3.81

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

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Attributable to shareholders of the Company</i>			
	<i>Non-distributable</i>			
<i>In RM Mil</i>	Share Capital	Foreign Currency Translation Reserve	Merger Reserve	Other Reserves
Cumulative quarter ended 30 September 2021				
Balance at 1 January 2021	8,871	(350)	(204)	1,001
Foreign currency translation differences	-	455	-	-
Share of other comprehensive income of equity-accounted joint ventures and associates	-	-	-	41
Total other comprehensive income for the period	-	455	-	41
Profit for the period	-	-	-	-
Total comprehensive income for the period	-	455	-	41
Additional shares issued to a non-controlling interest	-	-	-	-
Dividends to shareholders of the Company (note A8)	-	-	-	-
Total transactions with owners of the Group	-	-	-	-
Balance at 30 September 2021	8,871	105	(204)	1,042
Cumulative quarter ended 30 September 2020				
Balance at 1 January 2020	8,871	(185)	(204)	987
Foreign currency translation differences	-	118	-	-
Share of other comprehensive income of equity-accounted joint ventures and associates	-	-	-	32
Total other comprehensive income for the period	-	118	-	32
Profit/ (loss) for the period	-	-	-	-
Total comprehensive income/(loss) for the period	-	118	-	32
Additional shares issued to a non-controlling interest	-	-	-	-
Dividends to shareholders of the Company	-	-	-	-
Total transactions with owners of the Group	-	-	-	-
Balance at 30 September 2020	8,871	(67)	(204)	1,019

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

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to shareholders of the Company		Non- controlling Interests	Total Equity
	Retained Profits	Total		
<i>In RM Mil</i>				
Cumulative quarter ended 30 September 2021				
Balance at 1 January 2021	21,128	30,446	563	31,009
Foreign currency translation differences	-	455	-	455
Share of other comprehensive income of equity- accounted joint ventures and associates	-	41	-	41
Total other comprehensive income for the period	-	496	-	496
Profit for the period	5,285	5,285	-	5,285
Total comprehensive income for the period	5,285	5,781	-	5,781
Additional shares issued to a non-controlling interest	-	-	4	4
Dividends to shareholders of the Company (note A8)	(2,400)	(2,400)	-	(2,400)
Total transactions with owners of the Group	(2,400)	(2,400)	4	(2,396)
Balance at 30 September 2021	24,013	33,827	567	34,394
Cumulative quarter ended 30 September 2020				
Balance at 1 January 2020	20,464	29,933	605	30,538
Foreign currency translation differences	-	118	-	118
Share of other comprehensive income of equity- accounted joint ventures and associates	-	32	-	32
Total other comprehensive income for the period	-	150	-	150
Profit/(loss) for the period	1,162	1,162	(32)	1,130
Total comprehensive income/(loss) for the period	1,162	1,312	(32)	1,280
Additional shares issued to a non-controlling interest	-	-	4	4
Dividends to shareholders of the Company	(960)	(960)	-	(960)
Total transactions with owners of the Group	(960)	(960)	4	(956)
Balance at 30 September 2020	20,666	30,285	577	30,862

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

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	Cumulative quarter ended	
	2021	30 September 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,576	1,338
Adjustments for:		
- Amortisation of deferred income	(105)	(117)
- Depreciation and amortisation	1,221	1,252
- Financing costs	20	16
- Interest income	(86)	(132)
- Share of (profit)/loss after tax of equity-accounted joint ventures and associates	(556)	50
- Other non-cash items	(120)	(43)
Operating profit before changes in working capital	5,950	2,364
Change in trade and other inventories	(342)	(120)
Change in trade and other receivables	(702)	294
Change in trade and other payables	632	(461)
Cash generated from operations	5,538	2,077
Interest income received	86	136
Taxation paid	(114)	(64)
Net cash generated from operating activities	5,510	2,149
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in joint ventures and associates	(148)	(13)
Dividends received from joint ventures and associates	90	26
Proceeds from disposal of property, plant and equipment	1	2
Partial payment of deferred consideration of acquisition in a subsidiary	(50)	(2)
Purchase of property, plant and equipment	(1,031)	(916)
Payment for settlement of forward foreign exchange contract	(50)	-
Proceeds from settlement of forward foreign exchange contract	50	-
Net cash used in investing activities	(1,138)	(903)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to:		
- PETRONAS	(1,544)	(618)
- others (third parties)	(856)	(342)
Drawdown of:		
- term loan	21	147
- revolving credit	109	113
Proceeds from shares issued to a non-controlling interest	4	4
Payment of lease liabilities:		
- principal	(36)	(64)
- interest	(62)	(52)
Payment of interest on term loan	(14)	-
Repayment of revolving credit	(23)	-
Net cash used in financing activities	(2,401)	(812)

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

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In RM Mil</i>	Cumulative quarter ended	
	30 September	
	2021	2020
Net cash flows from operating, investing and financing activities	<u>1,971</u>	434
Effect of foreign currency translation differences	<u>53</u>	(6)
Net increase in cash and cash equivalents	<u>2,024</u>	428
Net foreign exchange differences on cash held	<u>256</u>	91
Cash and cash equivalents at beginning of the period	<u>12,707</u>	12,045
Cash and cash equivalents at end of the period	<u>14,987</u>	<u>12,564</u>

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

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

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 2020. 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 2020.

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 2021.

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 2020.

During the period, the Group has adopted the following amendments to MFRSs ("pronouncements") that have been issued by the Malaysian Accounting Standard's Board ("MASB").

Effective for annual periods beginning on or after 1 January 2021

Amendments to MFRS 7	<i>Financial Instruments: Disclosures</i>
Amendments to MFRS 9	<i>Financial Instruments</i>
Amendments to MFRS 16	<i>Leases (Interest Rate Benchmark Reform – Phase 2)</i>
Amendments to MFRS 139	<i>Financial Instruments: Recognition and Measurement</i>

Effective for annual periods beginning on or after 1 April 2021

Amendments to MFRS 16	<i>Leases (COVID-19 Related Rent Concessions beyond 30 June 2021)</i>
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The initial application of the above pronouncements does not have any material impact to the consolidated financial statements of the Group.

A3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of PCG and its subsidiaries for the year ended 31 December 2020 were not subject to any audit qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

A5. EXCEPTIONAL ITEMS

There were no exceptional items during the period under review.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

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

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 2020 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 7 sen per ordinary share, amounting to RM560 million in respect of the financial year ended 31 December 2020 to shareholders on 25 March 2021.
- (ii) A first interim single tier dividend of 23 sen per ordinary share, amounting to RM1,840 million in respect of the financial year ending 31 December 2021 to shareholders on 30 September 2021.

A9. OPERATING SEGMENTS

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

9.1 Revenue

<i>In RM Mil</i>	Cumulative quarter ended 30 September					
	2021	2020	2021	2020	2021	2020
	Third Parties		Inter-segment		Gross Total	
Olefins and Derivatives	9,062	6,059	9	12	9,071	6,071
Fertilisers and Methanol	6,073	3,820	-	-	6,073	3,820
Others	914	647	37	38	951	685
Total	16,049	10,526	46	50	16,095	10,576

9.2 Segment profit/(loss) for the period ¹

<i>In RM Mil</i>	Cumulative quarter ended 30 September	
	2021	2020
Olefins and Derivatives	2,779	273
Fertilisers and Methanol	2,423	880
Others ²	83	(23)
Total	5,285	1,130

¹ Included within profit/(loss) for the period for Olefins and Derivatives, Fertilisers and Methanol and Others segments are depreciation and amortisation expenses amounting to RM551 million (2020: RM587 million), RM614 million (2020: RM617 million) and RM56 million (2020: RM48 million) respectively.

² Includes profit from non-reportable segments and unallocated assets.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

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

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 2021, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

A11. CONTINGENCIES

There were no material contingent liabilities or contingent assets since the last audited consolidated financial statements for the year ended 31 December 2020.

A12. CHANGES IN COMPOSITION OF THE GROUP

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

A13. CAPITAL COMMITMENTS

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

<i>In RM Mil</i>	As at 30 September 2021	As at 31 December 2020
Property, plant and equipment:		
Approved and contracted for	487	475
Approved but not contracted for	626	1,734
Total	1,113	2,209

A14. GOODWILL

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

<i>In RM Mil</i>	As at 1 January 2021	Foreign currency translation	As at 30 September 2021
Goodwill	242	(4)	238

A15. FAIR VALUE INFORMATION

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair 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).

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

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

A15. FAIR VALUE INFORMATION (continued)

The Group recognises transfer between levels of fair value hierarchy as of the date of the event or change in circumstances that caused the transfer.

Forward foreign exchange contracts

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

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

As at 30 September 2021

Fair value of financial instruments carried at fair value

<i>In RM Mil</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Nominal value</u>
Financial assets					
Forward foreign exchange contracts					
- within 1 year	<u>-</u>	<u>10</u>	<u>-</u>	<u>10</u>	<u>480</u>
Financial liabilities					
Forward foreign exchange contracts					
- within 1 year	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>(3)</u>	<u>(430)</u>

As at 31 December 2020

Fair value of financial instruments carried at fair value

<i>In RM Mil</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Nominal value</u>
Financial assets					
Forward foreign exchange contracts					
- within 1 year	<u>-</u>	<u>3</u>	<u>-</u>	<u>3</u>	<u>187</u>
Financial liabilities					
Forward foreign exchange contracts					
- within 1 year	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>(4)</u>	<u>(334)</u>

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

PART B – OTHER EXPLANATORY NOTES

B1. REVIEW OF GROUP PERFORMANCE

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

<i>In RM Mil</i>	2021		2020		Individual quarter ended 30 September	
	Group	Olefins and Derivatives	Fertilisers and Methanol	2021	2020	
Revenue	5,766	3,457	3,155	2,006	2,271	1,243
Profit after tax	1,963	452	955	258	983	323
EBITDA ³	2,113	914	952	414	1,142	519

PCG Group recorded higher plant utilisation rate of 94% as compared to 90% in the corresponding quarter due to better plant performance resulting in higher production volume. However, sales volume remains comparable mainly due to inventory build-up following turnaround activities.

Revenue was higher by RM2.3 billion or 67% at RM5.8 billion largely due to higher product prices in tandem with the improving crude oil price, tight supply and healthy demand from global economic recovery.

EBITDA increased by RM1.2 billion at RM2.1 billion in line with better margin. Profit after tax improved by RM1.5 billion at RM2.0 billion in line with higher EBITDA and share of profit from joint ventures and associates.

Olefins and Derivatives

The segment recorded lower plant utilisation rate, production and sales volumes as compared to the corresponding quarter mainly due to higher level of maintenance activities.

Revenue was higher by RM1.1 billion or 57% at RM3.2 billion as a result of higher product prices.

EBITDA for the segment increased by RM538 million at RM952 million primarily driven by improved margin. Profit after tax increased by RM697 million to RM955 million in line with higher EBITDA and share of profit from joint ventures and associates.

Fertilisers and Methanol

The segment's operational performance recorded higher plant utilisation rate as compared to corresponding quarter mainly due to better plant performance. Production and sales volumes were also higher.

The segment's revenue increased by RM1.0 billion or 83% at RM2.3 billion primarily attributed to the higher product prices.

EBITDA for the segment increased by RM623 million at RM1.1 billion primarily driven by improved margin. Profit after tax increased by RM660 million at RM983 million in line with higher EBITDA and share of profit from joint ventures and associates.

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.

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

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

<i>In RM Mil</i>	2021		2020		Cumulative quarter ended 30 September	
	2021	2020 Group	2021 Olefins and Derivatives	2020	2021 Fertilisers and Methanol	2020
Revenue	16,049	10,526	9,071	6,071	6,073	3,820
Profit after tax	5,285	1,130	2,779	273	2,423	880
EBITDA ⁴	5,962	2,373	3,028	918	2,936	1,516

PCG Group recorded comparable plant utilisation rate, production and sales volumes with corresponding period.

Revenue was higher by RM5.5 billion or 53% at RM16.0 billion largely due to higher product prices in tandem with improving crude oil price and bullish market amidst supply shortage due to US storm and global container issues.

EBITDA was higher by RM3.6 billion at RM6.0 billion mainly due to improved margin. Profit after tax also increased by RM4.2 billion at RM5.3 billion in line with improved EBITDA and share of profit from joint ventures and associates.

Olefins and Derivatives

The segment recorded comparable plant utilisation rate, production and sales volumes with the corresponding period.

Revenue increased by RM3.0 billion or 49% at RM9.1 billion primarily attributable to higher product prices.

EBITDA was higher by RM2.1 billion at RM3.0 billion due to improved margin. Profit after tax also increased from the corresponding period at RM2.8 billion largely due to higher EBITDA and share of profit from joint ventures and associates.

Fertilisers and Methanol

The segment recorded comparable plant utilisation rate, production and sales volumes with the corresponding period.

The segment recorded higher revenue by RM2.3 billion or 59% at RM6.1 billion mainly due to higher product prices.

EBITDA was higher by RM1.4 billion or 94% at RM2.9 billion following improved margin. Profit after tax also increased from the corresponding period by RM1.5 billion at RM2.4 billion in line with higher EBITDA and share of profit from joint ventures and associates.

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

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

(c) Variation of results against the preceding quarter

<i>In RM Mil</i>	Individual quarter ended	
	30 September 2021	30 June 2021
Revenue	5,766	5,608
Profit after tax	1,963	1,856
EBITDA ⁵	2,113	2,154

PCG Group recorded lower plant utilisation rate, production and sales volumes as compared to the preceding quarter mainly due to higher level of maintenance activities.

Revenue increased by RM158 million or 3% at RM5.8 billion largely attributable to higher product prices driven by higher crude oil prices and recovery of global economy.

EBITDA for the current quarter was comparable at RM2.1 billion. Profit after tax increased by RM107 million or 6% at RM2.0 billion in line with higher share of profit from joint ventures and associates.

(d) Highlight on consolidated statement of financial position

<i>In RM Mil</i>	As at 30 September 2021	As at 31 December 2020
	Total assets	44,821
Total equity	34,394	31,009
ROE (%)	16.7	5.3

The Group's total assets were higher by RM5.0 billion or 13% at RM44.8 billion. This was mainly due to the increase in cash and cash equivalents contributed by profit generated during the period, partially offset by dividend payment to shareholders. Additionally, property, plant and equipment increased primarily in relation to the recognition of right of use assets for process control building and warehouse as well as capital investment in the petrochemicals projects within Pengerang Integrated Complex (PIC).

Total equity was also higher by RM3.4 billion or 11% at RM34.4 billion mainly due to profit generated during the period, partially reduced by dividend payment to shareholders.

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

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

(e) Highlight on consolidated statement of cash flows

<i>In RM Mil</i>	Cumulative quarter ended	
	2021	30 September 2020
Net cash generated from operating activities	5,510	2,149
Net cash used in investing activities	(1,138)	(903)
Net cash used in financing activities	(2,401)	(812)

Net cash generated from operating activities increased by RM3.4 billion at RM5.5 billion, mainly due to higher profit generated during the period.

Net cash used in investing activities was higher by RM235 million or 26% at RM1.1 billion primarily due to higher investment in joint venture and associates as well as purchase of property, plant and equipment for the period.

Net cash used in financing activities for the period was higher by RM1.6 billion at RM2.4 billion, due to higher dividend payment to shareholders.

B2. COMMENTARY ON PROSPECTS

The results of the Group's operations are expected to be 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 COVID-19 pandemic continues to affect the global economy and the market will remain volatile. PCG will navigate through the market uncertainties by leveraging on its operational and commercial excellence.

The Group anticipates product prices for olefins and derivatives to remain stable amidst global economic recovery. Product prices for fertilisers and methanol anticipated to strengthen due to higher natural gas price, tightening supply in China and stronger demand.

B3. PROFIT FORECAST OR PROFIT GUARANTEE

The Group does not publish any profit forecast.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B4. OPERATING PROFIT

<i>In RM Mil</i>	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2021	2020	2021	2020
Included in operating profit are the following charges:				
Depreciation and amortisation	417	424	1,221	1,252
Inventories written down to net realisable value	3	-	-	-
Net loss on foreign exchange	-	94	-	-
and credits:				
Interest income	29	33	86	132
Inventories written back to net realisable value	-	5	26	17
Amortisation of deferred income	35	35	105	117
Net gain on foreign exchange	25	-	121	34

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 and 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

<i>In RM Mil</i>	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2021	2020	2021	2020
Current tax expenses				
Current period tax	102	49	267	198
Over provision in respect of prior periods	(12)	(1)	(12)	(1)
	90	48	255	197
Deferred tax expenses				
Origination and reversal of temporary differences	3	(21)	58	5
(Over)/Under provision in respect of prior periods	(27)	-	(22)	6
	(24)	(21)	36	11
	66	27	291	208

The Group's effective tax rates for the individual and cumulative quarter ended 30 September 2021 are 3% and 5% 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. Additionally, there was higher after tax share of profit from joint ventures and associates as well as prior year tax adjustments.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

PART B – OTHER EXPLANATORY NOTES (continued)

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 2020.

B7. TRADE AND OTHER RECEIVABLES

(a) Details of Group trade and other receivables

<i>In RM Mil</i>	As at 30 September 2021	As at 31 December 2020
Trade receivables:		
- Third party	1,988	1,392
- Joint ventures and associates	298	194
- Related companies	110	45
Other receivables	244	307
Total	2,640	1,938

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

(b) Ageing analysis of trade receivables

<i>In RM Mil</i>	As at 30 September 2021	As at 31 December 2020
Current	2,379	1,601
Past due 1 to 30 days	15	30
Past due 31 to 60 days	2	-
Total	2,396	1,631

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

	Denominated currency	<i>In denominated currency</i>		<i>In presentation currency</i>	
		As at 30 September 2021 Mil	As at 31 December 2020 Mil	As at 30 September 2021 RM Mil	As at 31 December 2020 RM Mil
Non-current					
Term loans - secured	USD	406	427	1,699	1,718
Term loan - unsecured	USD	36	31	150	127
Term loan - unsecured	EUR	30	30	146	149
				1,995	1,994
Current					
Terms loans - secured	USD	60	37	252	148
Revolving credit - unsecured	EUR	27	10	131	50
				383	198

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B8. BORROWINGS (continued)

The EUR unsecured term loan bears interest of 0.71% per annum and is repayable in 2025. The unsecured revolving credit bears interest of 0.79% margin above EURIBOR.

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 on initial recognition with an effective interest rate of 2.17% per annum and due for a final repayment twelve months following the final discharge of the project financing, mentioned below.

The secured term loans relate to 50% share of project financing facility of a joint operation company amounting to USD914 million, net of transaction costs. The loans bear interest margin above 6-month LIBOR ranging from 0.80% to 1.74% per annum and are repayable from 2021 to 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.

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 2020, other than as disclosed in note A15.

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 2020.

B12. DIVIDENDS

The Directors of the Company have declared a special dividend of 10 sen per ordinary share on 22 November 2021, amounting to RM800 million in respect of the financial year ending 31 December 2021.

The dividend is payable on 30 December 2021 to depositors registered in the Records of Depositors at the close of business on 8 December 2021.

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 8 December 2021 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.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2021

PART B – OTHER EXPLANATORY NOTES (continued)

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 30 September		Cumulative quarter ended 30 September	
	2021	2020	2021	2020
<i>In RM Mil</i>				
Profit for the period attributable to shareholders of the Company	1,964	471	5,285	1,162
<i>In millions of shares</i>				
Number of ordinary shares issued	8,000	8,000	8,000	8,000
<i>In sen</i>				
Basic earnings per share	25	6	66	15

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

USD/MYR	30 September	Individual quarter ended		30 September	Cumulative quarter ended	
	2021	30 June 2021	30 September 2020	2021	31 December 2020	30 September 2020
Average rate	4.1971	4.1288	4.2033	4.1302	4.1082	4.2354
Closing rate	4.1890	4.1545	4.1575	4.1890	4.0285	4.1575

By order of the Board

Azira Marini Binti Ab Rahim (SSM Practising Certificate No. 201908001107)
Kang Shew Meng (SSM Practising Certificate No. 201908002065)
Company Secretaries

Kuala Lumpur
22 November 2021