



PETRONAS

PETRONAS CHEMICALS GROUP BERHAD
Quarterly Report

For Fourth Quarter and Year Ended 31 December 2021



QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 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 31 December 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		Year ended	
		31 December		31 December	
		2021	2020	2021	2020
Revenue	A9.1	6,976	3,836	23,025	14,362
Cost of revenue		(4,485)	(2,666)	(14,447)	(10,837)
Gross profit		2,491	1,170	8,578	3,525
Selling and distribution expenses		(332)	(251)	(1,091)	(967)
Administration expenses		(242)	(181)	(839)	(718)
Other expenses		(57)	(102)	(60)	(68)
Other income		110	160	422	428
Operating profit	B4	1,970	796	7,010	2,200
Financing costs		(9)	(11)	(29)	(27)
Share of profit/(loss) after tax of equity-accounted joint ventures and associates		173	(266)	729	(316)
Profit before taxation		2,134	519	7,710	1,857
Tax expense	B5	(100)	(63)	(391)	(271)
PROFIT FOR THE PERIOD		2,034	456	7,319	1,586
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences		(81)	(283)	374	(165)
Share of other comprehensive (loss)/income of equity-accounted joint ventures and associates		-	(22)	41	10
Others		(1)	-	(1)	-
Total other comprehensive (loss)/income for the period		(82)	(305)	414	(155)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,952	151	7,733	1,431
Profit/(loss) attributable to:					
Shareholders of the Company		2,060	466	7,345	1,628
Non-controlling interests		(26)	(10)	(26)	(42)
PROFIT FOR THE PERIOD		2,034	456	7,319	1,586
Total comprehensive income/(loss) attributable to:					
Shareholders of the Company		1,978	161	7,759	1,473
Non-controlling interests		(26)	(10)	(26)	(42)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,952	151	7,733	1,431
Basic earnings per share attributable to shareholders of the Company:					
Based on ordinary shares issued (sen)	B13	26	6	92	20

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

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	Note	As at 31 December 2021	As at 31 December 2020
ASSETS			
Property, plant and equipment		22,195	20,987
Investments in joint ventures and associates		1,480	722
Intangible assets		684	744
Deferred tax assets		823	879
TOTAL NON-CURRENT ASSETS		25,182	23,332
Trade and other inventories		2,214	1,806
Trade and other receivables	B7	2,737	1,938
Tax recoverable		85	46
Cash and cash equivalents		16,390	12,707
TOTAL CURRENT ASSETS		21,426	16,497
TOTAL ASSETS		46,608	39,829
EQUITY			
Share capital		8,871	8,871
Reserves		26,134	21,575
Total equity attributable to shareholders of the Company		35,005	30,446
Non-controlling interests		535	563
TOTAL EQUITY		35,540	31,009
LIABILITIES			
Borrowings	B8	2,156	1,994
Lease liabilities		1,389	908
Provisions		287	247
Other long term liabilities		1,309	1,434
Deferred tax liabilities		974	993
TOTAL NON-CURRENT LIABILITIES		6,115	5,576
Borrowings	B8	232	198
Lease liabilities		73	80
Trade and other payables		4,378	2,893
Taxation		270	73
TOTAL CURRENT LIABILITIES		4,953	3,244
TOTAL LIABILITIES		11,068	8,820
TOTAL EQUITY AND LIABILITIES		46,608	39,829
Net assets per share attributable to shareholders of the Company (RM)		4.38	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 FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company			
	Non-distributable			
	Share Capital	Foreign Currency Translation Reserve	Merger Reserve	Other Reserves
<i>In RM Mil</i>				
Year ended 31 December 2021				
Balance at 1 January 2021	8,871	(350)	(204)	1,001
Foreign currency translation differences	-	374	-	-
Share of other comprehensive income of equity-accounted joint ventures and associates	-	-	-	41
Others	-	-	-	(1)
Total other comprehensive income for the year	-	374	-	40
Profit/(Loss) for the year	-	-	-	-
Total comprehensive income/(loss) for the year	-	374	-	40
Additional shares issued to a non-controlling interest	-	-	-	-
Dividends to shareholders of the Company (note A8)	-	-	-	-
Dividends to a non-controlling interest	-	-	-	-
Others	-	-	-	1
Total transactions with owners of the Group	-	-	-	1
Balance at 31 December 2021	8,871	24	(204)	1,042
Year ended 31 December 2020				
Balance at 1 January 2020	8,871	(185)	(204)	987
Foreign currency translation differences	-	(165)	-	-
Share of other comprehensive income of equity-accounted joint ventures and associates	-	-	-	10
Total other comprehensive (loss)/income for the year	-	(165)	-	10
Profit/(Loss) for the year	-	-	-	-
Total comprehensive income/(loss) for the year	-	(165)	-	10
Additional shares issued to a non-controlling interest	-	-	-	-
Dividends to shareholders of the Company (note A8)	-	-	-	-
Dividends to a non-controlling interest	-	-	-	-
Others	-	-	-	4
Total transactions with owners of the Group	-	-	-	4
Balance at 31 December 2020	8,871	(350)	(204)	1,001

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

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to shareholders of the Company		Non- controlling Interests	Total Equity
	Retained Profits	Total Distributable		
<i>In RM Mil</i>				
Year ended 31 December 2021				
Balance at 1 January 2021	21,128	30,446	563	31,009
Foreign currency translation differences	-	374	-	374
Share of other comprehensive income of equity- accounted joint ventures and associates	-	41	-	41
Others	-	(1)	-	(1)
Total other comprehensive income for the year	-	414	-	414
Profit/(Loss) for the year	7,345	7,345	(26)	7,319
Total comprehensive income/(loss) for the year	7,345	7,759	(26)	7,733
Additional shares issued to a non-controlling interest	-	-	4	4
Dividends to shareholders of the Company (note A8)	(3,200)	(3,200)	-	(3,200)
Dividends to a non-controlling interest	-	-	(6)	(6)
Others	(1)	-	-	-
Total transactions with owners of the Group	(3,201)	(3,200)	(2)	(3,202)
Balance at 31 December 2021	25,272	35,005	535	35,540
Year ended 31 December 2020				
Balance at 1 January 2020	20,464	29,933	605	30,538
Foreign currency translation differences	-	(165)	-	(165)
Share of other comprehensive income of equity- accounted joint ventures and associates	-	10	-	10
Total other comprehensive (loss)/income for the year	-	(155)	-	(155)
Profit/(Loss) for the year	1,628	1,628	(42)	1,586
Total comprehensive income/(loss) for the year	1,628	1,473	(42)	1,431
Additional shares issued to a non-controlling interest	-	-	4	4
Dividends to shareholders of the Company (note A8)	(960)	(960)	-	(960)
Dividends to a non-controlling interest	-	-	(4)	(4)
Others	(4)	-	-	-
Total transactions with owners of the Group	(964)	(960)	-	(960)
Balance at 31 December 2020	21,128	30,446	563	31,009

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

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	2021	Year ended 31 December 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	7,710	1,857
Adjustments for:		
- Amortisation of deferred income	(140)	(151)
- Depreciation and amortisation	1,650	1,670
- Financing costs	29	27
- Interest income	(117)	(224)
- Share of (profit)/loss after tax of equity-accounted joint ventures and associates	(729)	316
- Unrealised forex (gain)/loss	(96)	51
- Other non-cash items	146	(1)
Operating profit before changes in working capital	8,453	3,545
Change in trade and other inventories	(529)	(143)
Change in trade and other receivables	(799)	58
Change in trade and other payables	1,140	(465)
Cash generated from operations	8,265	2,995
Interest income received	117	224
Taxation paid	(197)	(204)
Net cash generated from operating activities	8,185	3,015
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in joint ventures and associates	(169)	(18)
Dividends received from joint ventures and associates	201	50
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	(1,538)	(1,476)
Payment for settlement of forward foreign exchange contract	(51)	-
Proceeds from settlement of forward foreign exchange contract	50	-
Net cash used in investing activities	(1,556)	(1,444)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to:		
- PETRONAS	(2,059)	(618)
- others (third parties)	(1,141)	(342)
- non-controlling interests	(6)	(4)
Drawdown of:		
- term loan	321	298
- revolving credit	83	113
Repayment of term loans		
- principal	(206)	(74)
- interest	(29)	(46)
Proceeds from shares issued to a non-controlling interest	4	4
Payment of lease liabilities:		
- principal	(68)	(50)
- interest	(50)	(73)
Repayment of revolving credit	(33)	-
Net cash used in financing activities	(3,184)	(792)

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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 FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In RM Mil</i>	2021	Year ended 31 December 2020
Net cash flows from operating, investing and financing activities	<u>3,445</u>	779
Effect of foreign currency translation differences	<u>11</u>	(25)
Net increase in cash and cash equivalents	<u>3,456</u>	754
Net foreign exchange differences on cash held	<u>227</u>	(92)
Cash and cash equivalents at beginning of the year	<u>12,707</u>	12,045
Cash and cash equivalents at end of the year	<u>16,390</u>	<u>12,707</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 FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 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 and year ended 31 December 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 did 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 year under review.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 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 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. DIVIDEND PAID

During the year under review, the Company paid:

- (i) A second interim 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 dividend of 23 sen per ordinary share, amounting to RM1,840 million in respect of the financial year ended 31 December 2021 to shareholders on 30 September 2021.
- (iii) A special dividend of 10 sen per ordinary share, amounting to RM800 million in respect of the financial year ended 31 December 2021 to shareholders on 30 December 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>	2021		2020		Year ended 31 December	
	2021	2020	2021	2020	2021	2020
	Third Parties		Inter-segment		Gross Total	
Olefins and Derivatives	12,464	8,194	13	14	12,477	8,208
Fertilisers and Methanol	9,341	5,311	-	-	9,341	5,311
Others	1,220	857	46	46	1,266	903
Total	23,025	14,362	59	60	23,084	14,422

9.2 Segment profit/(loss) for the year ¹

<i>In RM Mil</i>	Year ended 31 December	
	2021	2020
Olefins and Derivatives	3,429	302
Fertilisers and Methanol	3,859	1,356
Others ²	31	(72)
Total	7,319	1,586

¹ Included within profit/(loss) for the year for Olefins and Derivatives, Fertilisers and Methanol and Others segments are depreciation and amortisation expenses amounting to RM743 million (2020: RM784 million), RM834 million (2020: RM819 million) and RM73 million (2020: RM67 million) respectively.

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

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 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 year under review. As at 31 December 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 year 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 31 December 2021	As at 31 December 2020
Property, plant and equipment:		
Approved and contracted for	353	475
Approved but not contracted for	1,691	1,734
Total	2,044	2,209

A14. GOODWILL

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

<i>In RM Mil</i>	As at 1 January 2021	Foreign currency translation	As at 31 December 2021
Goodwill	242	(11)	231

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).

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 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 31 December 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>4</u>	<u>-</u>	<u>4</u>	<u>597</u>
Financial liabilities					
Forward foreign exchange contracts					
- within 1 year	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>(4)</u>	<u>(366)</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 FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 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>			Individual quarter ended 31 December			
	2021	2020	2021	2020	2021	2020
	Group		Olefins and Derivatives		Fertilisers and Methanol	
Revenue	6,976	3,836	3,406	2,137	3,268	1,491
Profit after tax	2,034	456	649	29	1,436	476
EBITDA ³	2,325	1,149	731	476	1,623	667

PCG Group recorded lower plant utilisation rate of 89% as compared to 94% in the corresponding quarter mainly due to statutory turnaround activities at fertiliser plant in Bintulu, Sarawak and maintenance activities at methanol plants in Labuan resulting in lower production volume. However, sales volume was slightly higher due to product drawdown from inventories.

Revenue was higher by RM3.1 billion or 82% at RM7.0 billion largely due to higher product prices in tandem with the improved crude oil price and healthy demand.

EBITDA increased by RM1.2 billion at RM2.3 billion in line with higher margin. Profit after tax improved by RM1.6 billion at RM2.0 billion in line with higher EBITDA and share of profit from joint ventures and associates.

Olefins and Derivatives

The segment's operational performance recorded higher plant utilisation rate of 100% as compared to 93% in the corresponding quarter mainly due to lower statutory turnaround activities resulting in higher production and sales volumes.

Revenue was higher by RM1.3 billion or 59% at RM3.4 billion primarily driven by higher product prices.

EBITDA for the segment increased by RM255 million or 54% at RM731 million mainly contributed by improved margin. Profit after tax increased by RM620 million to RM649 million in line with higher EBITDA and share of profit from joint ventures and associates.

Fertilisers and Methanol

The segment recorded lower plant utilisation rate of 83% as compared to 94% in the corresponding quarter due to higher statutory turnaround and maintenance activities resulting in lower production volume. However, sales volume was comparable.

The segment's revenue increased by RM1.8 billion at RM3.3 billion primarily attributed to the higher product prices.

EBITDA for the segment increased by RM956 million at RM1.6 billion primarily driven by improved margin. Profit after tax increased by RM960 million at RM1.4 billion 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 FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

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

<i>In RM Mil</i>	2021		2020		Year ended 31 December	
	2021	2020	2021	2020	2021	2020
	Group		Olefins and Derivatives		Fertilisers and Methanol	
Revenue	23,025	14,362	12,477	8,208	9,341	5,311
Profit after tax	7,319	1,586	3,429	302	3,859	1,356
EBITDA ⁴	8,287	3,523	3,759	1,394	4,559	2,183

PCG Group recorded comparable plant utilisation rate at 93%, production and sales volumes against the corresponding year.

Revenue was higher by RM8.7 billion or 60% at RM23.0 billion largely due to higher product prices in tandem with improved crude oil price, tight supply and healthy demand from global economic recovery.

EBITDA was higher by RM4.8 billion at RM8.3 billion mainly due to improved margin. Profit after tax increased by RM5.7 billion at RM7.3 billion in line with higher EBITDA and share of profit from joint ventures and associates.

Olefins and Derivatives

The segment recorded comparable plant utilisation rate at 100%, production and sales volumes against the corresponding year.

Revenue increased by RM4.3 billion or 52% at RM12.5 billion primarily attributable to higher product prices.

EBITDA was higher by RM2.4 billion at RM3.8 billion due to improved margin. Profit after tax increased from the corresponding year at RM3.4 billion largely due to higher EBITDA and share of profit from joint ventures and associates.

Fertilisers and Methanol

The segment recorded lower plant utilisation rate of 89% as compared to 92% in the corresponding year due to higher statutory turnaround and maintenance activities resulting in lower production volume. However, sales volume was comparable.

The segment recorded higher revenue by RM4.0 billion or 76% at RM9.3 billion mainly due to higher product prices.

EBITDA was higher by RM2.4 billion at RM4.6 billion following improved margin. Profit after tax increased from the corresponding year by RM2.5 billion at RM3.9 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.

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FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 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	
	31 December 2021	30 September 2021
Revenue	6,976	5,766
Profit after tax	2,034	1,963
EBITDA ⁵	2,325	2,113

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

Revenue increased by RM1.2 billion or 21% at RM7.0 billion largely attributable to higher product prices driven by higher crude oil prices, tight supply and global economic recovery.

EBITDA for the current quarter was higher by RM212 million or 10% at RM2.3 billion contributed by improved margin. Profit after tax was comparable at RM2.0 billion in line with higher EBITDA partially offset by lower share of profit from joint ventures and associates.

(d) Highlight on consolidated statement of financial position

<i>In RM Mil</i>	As at 31 December 2021	As at 31 December 2020
	Total assets	46,608
Total equity	35,540	31,009
ROE (%)	20.7	5.3

The Group's total assets were higher by RM6.8 billion or 17% at RM46.6 billion. This was mainly due to the increase in cash and cash equivalents contributed by profit generated during the year, partially offset by dividend payment to shareholders. Additionally, property, plant and equipment increased primarily in relation to the capital investment in the petrochemicals projects within Pengerang Integrated Complex (PIC) and recognition of right of use assets for process control building & warehouse.

Total equity was also higher by RM4.5 billion or 15% at RM35.5 billion mainly due to profit generated during the year, 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.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 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>	2021	Year ended 31 December 2020
Net cash generated from operating activities	8,185	3,015
Net cash used in investing activities	(1,556)	(1,444)
Net cash used in financing activities	(3,184)	(792)

Net cash generated from operating activities increased by RM5.2 billion at RM8.2 billion, mainly due to higher profit generated during the year.

Net cash used in investing activities was higher by RM112 million or 8% at RM1.6 billion primarily due to higher investment in joint venture and associates as well as purchase of property, plant and equipment for the year.

Net cash used in financing activities for the year was higher by RM2.4 billion at RM3.2 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 market uncertainties by leveraging its operational and commercial excellence.

The Group anticipates product prices for olefins and derivatives to be moderate amidst global economic recovery. Fertiliser and methanol prices are expected to remain stable on healthy demand.

B3. PROFIT FORECAST OR PROFIT GUARANTEE

The Group does not publish any profit forecast.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B4. OPERATING PROFIT

<i>In RM Mil</i>	Individual quarter ended 31 December		Year ended 31 December	
	2021	2020	2021	2020
Included in operating profit are the following charges:				
Depreciation and amortisation	429	418	1,650	1,670
Inventories:				
- written down to net realisable value	34	18	7	1
- written off	48	-	48	-
Net loss on foreign exchange	21	93	-	58
and credits:				
Interest income	31	91	117	224
Fair value gain	40	18	40	18
Amortisation of deferred income	35	34	140	151
Net gain on foreign exchange	-	-	99	-

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 31 December		Year ended 31 December	
	2021	2020	2021	2020
Current tax expenses				
Current period tax	104	28	371	226
Over provision in respect of prior periods	(4)	-	(16)	(1)
	100	28	355	225
Deferred tax expenses				
Origination and reversal of temporary differences	2	26	60	31
(Over)/Under provision in respect of prior periods	(2)	9	(24)	15
	-	35	36	46
	100	63	391	271

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

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 2021 are both 5%, 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.

B6. STATUS OF CORPORATE PROPOSALS

There were no new corporate proposals during the year 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 31 December 2021	As at 31 December 2020
Trade receivables:		
- Third party	2,096	1,392
- Joint ventures and associates	296	194
- Related companies	111	45
Other receivables	234	307
Total	2,737	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 31 December 2021	As at 31 December 2020
Current	2,464	1,601
Past due 1 to 30 days	38	30
Past due 31 to 60 days	-	-
Past due 61 to 90 days	1	-
Total	2,503	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.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B8. BORROWINGS

	Denominated currency	<i>In denominated currency</i>		<i>In presentation currency</i>	
		As at 31 December 2021 Mil	As at 31 December 2020 Mil	As at 31 December 2021 RM Mil	As at 31 December 2020 RM Mil
Non-current					
Term loans - secured	USD	394	427	1,646	1,718
Term loan - unsecured	USD	88	31	368	127
Term loan - unsecured	EUR	30	30	142	149
				2,156	1,994
Current					
Terms loans - secured	USD	33	37	139	148
Revolving credit - unsecured	EUR	20	10	93	50
				232	198

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 2.33% 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 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.

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 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 2020.

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B12. DIVIDENDS

The Directors of the Company have declared a second interim single tier dividend of 23 sen per ordinary share, amounting to RM1,840 million in respect of the financial year ended 31 December 2021 (2020: 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).

The dividend is payable on 25 March 2022 to depositors registered in the Records of Depositors at the close of business on 14 March 2022.

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

- Shares transferred into the Depositor's Securities Account before 4.00 pm on 14 March 2022 in respect of ordinary transfers.
- Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

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		Year ended	
	31 December		31 December	
	2021	2020	2021	2020
<i>In RM Mil</i>				
Profit for the period attributable to shareholders of the Company	2,060	466	7,345	1,628
<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	26	6	92	20

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	
	31 December	30 September	31 December	31 December	31 December
USD/MYR	2021	2021	2020	2021	2020
Average rate	4.1848	4.1971	4.1082	4.1439	4.2036
Closing rate	4.1740	4.1890	4.0285	4.1740	4.0285

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
24 February 2022