



PETRONAS

PETRONAS CHEMICALS GROUP BERHAD
Quarterly Report

For First Quarter Ended 31 March 2022



QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2022

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 March 2022 which should be read in conjunction with the accompanying explanatory notes on pages 6 to 18.

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

<i>In RM Mil</i>	Note	Individual quarter ended	
		2022	31 March 2021
Revenue	A9.1	6,634	4,675
Cost of revenue		(4,157)	(2,976)
Gross profit		2,477	1,699
Selling and distribution expenses		(279)	(229)
Administration expenses		(183)	(185)
Other expenses		-	(11)
Other income		82	169
Operating profit	B4	2,097	1,443
Financing costs		(7)	(7)
Share of profit after tax of equity-accounted joint ventures and associates		123	133
Profit before taxation		2,213	1,569
Tax expense	B5	(141)	(103)
PROFIT FOR THE PERIOD		2,072	1,466
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		109	330
Share of other comprehensive income of equity-accounted joint ventures and associates		10	22
Total other comprehensive income for the period		119	352
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,191	1,818
Profit/(loss) attributable to:			
Shareholders of the Company		2,076	1,461
Non-controlling interests		(4)	5
PROFIT FOR THE PERIOD		2,072	1,466
Shareholders of the Company		2,195	1,813
Non-controlling interests		(4)	5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,191	1,818
Basic earnings per share attributable to shareholders of the Company:			
Based on ordinary shares issued (sen)	B12	26	18

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 FIRST QUARTER ENDED 31 MARCH 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	Note	As at 31 March 2022	As at 31 December 2021 Restated
ASSETS			
Property, plant and equipment		22,192	22,041
Investments in joint ventures and associates		1,613	1,480
Intangible assets		673	684
Deferred tax assets		805	823
TOTAL NON-CURRENT ASSETS		25,283	25,028
Trade and other inventories		2,235	2,214
Trade and other receivables	B7	2,876	2,737
Tax recoverable		87	85
Cash and cash equivalents		16,506	16,390
TOTAL CURRENT ASSETS		21,704	21,426
TOTAL ASSETS		46,987	46,454
EQUITY			
Share capital		8,871	8,871
Reserves		26,409	25,980
Total equity attributable to shareholders of the Company		35,280	34,851
Non-controlling interests		454	535
TOTAL EQUITY		35,734	35,386
LIABILITIES			
Borrowings	B8	2,174	2,156
Lease liabilities		1,384	1,389
Provisions		291	287
Other long term liabilities		1,289	1,309
Deferred tax liabilities		981	974
TOTAL NON-CURRENT LIABILITIES		6,119	6,115
Borrowings	B8	359	232
Lease liabilities		72	73
Trade and other payables		4,391	4,378
Taxation		312	270
TOTAL CURRENT LIABILITIES		5,134	4,953
TOTAL LIABILITIES		11,253	11,068
TOTAL EQUITY AND LIABILITIES		46,987	46,454
Net assets per share attributable to shareholders of the Company (RM)		4.41	4.36

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 FIRST QUARTER ENDED 31 MARCH 2022

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>				
Individual quarter ended 31 March 2022				
Balance at 1 January 2022, as previously reported	8,871	24	(204)	1,042
- Effect of Amendments to MFRS 116	-	-	-	-
At 1 January 2022, restated	8,871	24	(204)	1,042
Foreign currency translation differences	-	109	-	-
Share of other comprehensive income of equity-accounted joint ventures and associates	-	-	-	10
Total other comprehensive income for the period	-	109	-	10
Profit/(Loss) for the period	-	-	-	-
Total comprehensive income/(loss) for the period	-	109	-	10
Dividends to shareholders of the Company (note A8)	-	-	-	-
Others	-	-	-	-
Total transactions with owners of the Group	-	-	-	-
Balance at 31 March 2022	8,871	133	(204)	1,052
Individual quarter ended 31 March 2021				
Balance at 1 January 2021, as previously reported	8,871	(350)	(204)	1,001
- Effect of Amendments to MFRS 116	-	-	-	-
At 1 January 2021, restated	8,871	(350)	(204)	1,001
Foreign currency translation differences	-	330	-	-
Share of other comprehensive income of equity-accounted joint ventures and associates	-	-	-	22
Total other comprehensive income for the period	-	330	-	22
Profit for the period	-	-	-	-
Total comprehensive income for the period	-	330	-	22
Dividends to shareholders of the Company (note A8)	-	-	-	-
Others	-	-	-	-
Total transactions with owners of the Group	-	-	-	-
Balance at 31 March 2021	8,871	(20)	(204)	1,023

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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 FIRST QUARTER ENDED 31 MARCH 2022

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>				
Individual quarter ended 31 March 2022				
Balance at 1 January 2022, as previously reported	25,272	35,005	535	35,540
- Effect of Amendments to MFRS 116	(154)	(154)	-	(154)
At 1 January 2022, restated	25,118	34,851	535	35,386
Foreign currency translation differences	-	109	-	109
Share of other comprehensive income of equity-accounted joint ventures and associates	-	10	-	10
Total other comprehensive income for the period	-	119	-	119
Profit/(Loss) for the period	2,076	2,076	(4)	2,072
Total comprehensive income/(loss) for the period	2,076	2,195	(4)	2,191
Dividends to shareholders of the Company (note A8)	(1,840)	(1,840)	-	(1,840)
Others	74	74	(77)	(3)
Total transactions with owners of the Group	(1,766)	(1,766)	(77)	(1,843)
Balance at 31 March 2022	25,428	35,280	454	35,734
Individual quarter ended 31 March 2021				
Balance at 1 January 2021, as previously reported	21,128	30,446	563	31,009
- Effect of Amendments to MFRS 116	(154)	(154)	-	(154)
At 1 January 2021, restated	20,974	30,292	563	30,855
Foreign currency translation differences	-	330	-	330
Share of other comprehensive income of equity-accounted joint ventures and associates	-	22	-	22
Total other comprehensive income for the period	-	352	-	352
Profit for the period	1,461	1,461	5	1,466
Total comprehensive income for the period	1,461	1,813	5	1,818
Dividends to shareholders of the Company (note A8)	(560)	(560)	-	(560)
Others	-	-	-	-
Total transactions with owners of the Group	(560)	(560)	-	(560)
Balance at 31 March 2021	21,875	31,545	568	32,113

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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 FIRST QUARTER ENDED 31 MARCH 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	Individual quarter ended	
	2022	31 March 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,213	1,569
Adjustments for:		
- Amortisation of deferred income	(22)	(35)
- Depreciation and amortisation	389	402
- Financing costs	7	7
- Interest income	(22)	(29)
- Share of profit after tax of equity-accounted joint ventures and associates	(123)	(133)
- Other non-cash items	(101)	(123)
Operating profit before changes in working capital	2,341	1,658
Change in trade and other inventories	63	(7)
Change in trade and other receivables	(139)	(372)
Change in trade and other payables	(77)	163
Cash generated from operations	2,188	1,442
Interest income received	22	29
Taxation paid	(78)	(50)
Net cash generated from operating activities	2,132	1,421
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in joint ventures and associates	(21)	(3)
Purchase of property, plant and equipment	(327)	(360)
Net cash used in investing activities	(348)	(363)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to:		
- PETRONAS	(1,184)	(360)
- others (third parties)	(656)	(200)
Drawdown of:		
- term loan	-	16
- revolving credit	150	-
Repayment of term loans interest	(10)	-
Payment of lease liabilities:		
- principal	(19)	(23)
- interest	(7)	(18)
Repayment of revolving credit	(24)	(23)
Net cash used in financing activities	(1,750)	(608)
Net cash flows from operating, investing and financing activities	34	450
Effect of foreign currency translation differences	(6)	32
Net increase in cash and cash equivalents	28	482
Net foreign exchange differences on cash held	88	198
Cash and cash equivalents at beginning of the period	16,390	12,707
Cash and cash equivalents at end of the period	16,506	13,387

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 FIRST QUARTER ENDED 31 MARCH 2022

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 2021. 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 2021.

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 31 March 2022.

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 2021.

During the period, the Group has adopted the following 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 2022

Amendments to MFRS 9	<i>Financial Instruments (Annual Improvements to MFRS Standards 2018 - 2020)</i>
Amendments to Illustrative Examples accompanying MFRS 16	<i>Leases (Annual Improvements to MFRS Standards 2018 - 2020)</i>
Amendments to MFRS 3	<i>Business Combinations (Reference to the Conceptual Framework)</i>
Amendments to MFRS 116	<i>Property, Plant and Equipment (Property, Plant and Equipment – Proceeds before Intended Use)</i>
Amendments to MFRS 137	<i>Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts – Cost of Fulfilling a Contract)</i>

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

Amendments to MFRS 116 *Property, Plant and Equipment (Property, Plant and Equipment – Proceeds before Intended Use)*.

The Amendments to MFRS 116 no longer allow companies to deduct any net proceeds from selling items produced while bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management, from an item of property, plant and equipment. Instead, the proceeds from selling such items and the costs of producing those items are recognised in the statement of profit or loss.

The Amendments to MFRS 116 is to be applied retrospectively, only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements. The cumulative impact of adoption is to be adjusted at the retained earnings at the beginning of that earliest period.

The restatement impact on comparative information is disclosed in Appendix 1.

A3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of PCG and its subsidiaries for the year ended 31 December 2021 were not subject to any audit qualification.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2022

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

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

A5. EXCEPTIONAL ITEMS

There were no exceptional items during the period under review.

A6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of the amounts reported in the most recent annual financial statements of PCG and its subsidiaries for the year ended 31 December 2021 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 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 to shareholders on 25 March 2022.

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

In RM Mil	Individual quarter ended					
					31 March	
	2022	2021	2022	2021	2022	2021
	Third Parties		Inter-segment	Gross Total		
Olefins and Derivatives	2,741	2,851	2	2	2,743	2,853
Fertilisers and Methanol	3,304	1,565	-	-	3,304	1,565
Others	589	259	8	13	597	272
Total	6,634	4,675	10	15	6,644	4,690

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FOR FIRST QUARTER ENDED 31 MARCH 2022

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

A9. OPERATING SEGMENTS (continued)

9.2 Segment profit for the period ¹

<i>In RM Mil</i>	Individual quarter ended	
	2022	31 March 2021
Olefins and Derivatives	733	867
Fertilisers and Methanol	1,172	528
Others ²	167	71
Total	2,072	1,466

A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment for the period under review. As at 31 March 2022, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

A11. SUBSEQUENT EVENT

PCG via its wholly-owned subsidiary, PETRONAS Chemicals International B.V. ("PCIBV") had on 14 May 2022 entered into a Securities Purchase Agreement ("SPA") with Financière Forêt S.à.r.l, a company under PAI Partners, a European private equity firm ("Seller") to acquire 50,000,000 shares in Perstorp Holding AB ("Perstorp"), representing the entire issued share capital of Perstorp, for a base purchase price of EUR1,538.0 million (equivalent to approximately RM7,209.8 million³), ("Base Purchase Price"), to be satisfied wholly in cash, subject to the adjustments as stipulated in SPA.

PCIBV is also required to repay all outstanding and unpaid amounts owed by Perstorp and its subsidiaries ("Perstorp Group") as of the closing date of the SPA that relates to their existing financing agreements which amounts to EUR851.7 million (equivalent to approximately RM3,992.6 million³) as at 31 December 2021 and pay earn-out payment not exceeding EUR45.0 million (equivalent to approximately RM211.0 million³) related to Perstorp's new plant in Sayakha, India, subject to meeting certain conditions.

The acquisition is expected to be completed in the second half of 2022 subject to relevant regulatory and PCG shareholders' approvals. Upon completion, Perstorp will become an indirect wholly-owned subsidiary of PCG.

Further details and the effect of the acquisition are as stated in a separate Bursa Announcement issued on 17 May 2022.

A12. CONTINGENCIES

There were no material contingent liabilities or contingent assets since the last audited consolidated financial statements for the year ended 31 December 2021.

A13. CHANGES IN COMPOSITION OF THE GROUP

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

¹ Included within profit for the period for Olefins and Derivatives, Fertilisers and Methanol and Others segments are depreciation and amortisation expenses amounting to RM164 million (2021: RM187 million), RM209 million (2021: RM191 million) and RM16 million (2021: RM24 million) respectively.

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

³ Translated based on exchange rate of EUR1.0000 : RM4.6878, being the middle rate quoted by Bloomberg on 23 May 2022.

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FOR FIRST QUARTER ENDED 31 MARCH 2022

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

A14. 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 March 2022	As at 31 December 2021
Property, plant and equipment:		
Approved and contracted for	539	353
Approved but not contracted for	1,329	1,691
Total	1,868	2,044

A15. GOODWILL

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

<i>In RM Mil</i>	As at 1 January 2022	Foreign currency translation	As at 31 March 2022
Goodwill	231	(1)	230

A16. 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).

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.

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FOR FIRST QUARTER ENDED 31 MARCH 2022

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

A16. FAIR VALUE INFORMATION (continued)

Forward foreign exchange contracts (continued)

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

As at 31 March 2022

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>305</u>
Financial liabilities					
Forward foreign exchange contracts					
- within 1 year	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>(1)</u>	<u>(373)</u>

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>

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FOR FIRST QUARTER ENDED 31 MARCH 2022

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			
	2022	2021	2022	2021	2022	2021
	Group		Olefins and Derivatives		Fertilisers and Methanol	
Revenue	6,634	4,675	2,743	2,853	3,304	1,565
Profit after tax	2,072	1,466	733	867	1,172	528
EBITDA ³	2,422	1,695	832	1,004	1,396	700

PCG Group recorded lower plant utilisation rate of 87% as compared to 90% in the corresponding quarter mainly due to higher statutory turnaround activities resulting in lower production volume. However, sales volume was comparable.

Revenue was higher by RM2.0 billion or 42% at RM6.6 billion largely due to higher product prices in tandem with the improved crude oil price and tight supply.

EBITDA increased by RM727 million at RM2.4 billion in line with higher margin. Profit after tax improved by RM606 million at RM2.1 billion in line with higher EBITDA partially offset by higher tax expense.

Olefins and Derivatives

The segment's operational performance recorded lower plant utilisation rate of 75% as compared to 100% in the corresponding quarter mainly due to higher statutory turnaround and maintenance activities resulting in lower production and sales volumes.

Revenue was lower by RM110 million or 4% at RM2.7 billion primarily due to lower sales volumes.

EBITDA for the segment decreased by RM172 million or 17% at RM832 million following lower revenue and higher operating expenditure. Profit after tax decreased by RM134 million or 15% at RM733 million in line with lower EBITDA partially offset by lower tax expense.

Fertilisers and Methanol

The segment recorded higher plant utilisation rate of 93% as compared to 84% in the corresponding quarter due to lower statutory turnaround and maintenance activities resulting in higher production and sales volumes.

The segment's revenue increased by RM1.7 billion at RM3.3 billion primarily attributed to the higher product prices and sales volumes.

EBITDA for the segment increased by RM696 million at RM1.4 billion primarily driven by improved margin. Profit after tax increased by RM644 million at RM1.2 billion in line with higher EBITDA partially offset by higher tax expense.

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 FIRST QUARTER ENDED 31 MARCH 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

(b) Variation of results against the preceding quarter

<i>In RM Mil</i>	Individual quarter ended	
	31 March 2022	31 December 2021
Revenue	6,634	6,976
Profit after tax	2,072	2,034
EBITDA ⁴	2,422	2,325

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 decreased by RM342 million or 5% at RM6.6 billion as a result of lower sales volume.

EBITDA for the current quarter was higher by RM97 million or 4% at RM2.4 billion contributed by improved margin. Profit after tax was slightly higher at RM2.1 billion in line with higher EBITDA partially offset by lower share of profit from joint ventures and associates.

(c) Highlight on consolidated statement of financial position

<i>In RM Mil</i>	As at 31 March 2022	As at 31 December 2021 Restated
	Total assets	46,987
Total equity	35,734	35,386
ROE (%)	22.3	20.8

The Group's total assets were higher by RM533 million or 1% at RM47.0 billion. This was mainly due to the increase in property, plant and equipment primarily in relation to the capital investment in the petrochemicals projects within Pengerang Integrated Complex (PIC). Additionally, cash and cash equivalents increased contributed by profit generated during the period, partially offset by dividend payment to shareholders.

Total equity was also higher by RM348 million or 1% at RM35.7 billion mainly due to profit generated during the period, partially reduced by dividend payment to shareholders.

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 FIRST QUARTER ENDED 31 MARCH 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

(d) Highlight on consolidated statement of cash flows

<i>In RM Mil</i>	Individual quarter ended 31 March	
	2022	2021
Net cash generated from operating activities	2,132	1,421
Net cash used in investing activities	(348)	(363)
Net cash used in financing activities	(1,750)	(608)

Net cash generated from operating activities increased by RM711 million or 50% at RM2.1 billion, mainly due to higher profit generated during the period.

Net cash used in investing activities was lower by RM15 million or 4% at RM348 million primarily due to lower purchase of property, plant and equipment partially offset by higher investment in joint venture and associates for the period.

Net cash used in financing activities for the period was higher by RM1.1 billion at RM1.8 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 remain stable amidst regional turnarounds. Fertiliser and methanol prices are expected to be moderate supported by steady demand.

B3. PROFIT FORECAST OR PROFIT GUARANTEE

The Group does not publish any profit forecast.

B4. OPERATING PROFIT

<i>In RM Mil</i>	Individual quarter ended 31 March	
	2022	2021
Included in operating profit are the following charges:		
Depreciation and amortisation	389	402
and credits:		
Interest income	22	29
Inventories written back to net realisable value	21	34
Amortisation of deferred income	22	35
Net gain on foreign exchange	30	99

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

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B4. OPERATING PROFIT (continued)

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	
	2022	31 March 2021
Current tax expenses		
Current period tax	118	73
Deferred tax expenses		
Origination and reversal of temporary differences	25	30
Over provision in respect of prior periods	(2)	-
	23	30
	141	103

The Group's effective tax rates for the quarter ended 31 March 2022 and 2021 are 6% and 7% 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.

B6. STATUS OF CORPORATE PROPOSALS

There was no other corporate proposal announced but not completed as at 27 May 2022 other than disclosed in note A11 Subsequent Events since the last audited consolidated financial statements for the year ended 31 December 2021.

B7. TRADE AND OTHER RECEIVABLES

(a) Details of Group trade and other receivables

<i>In RM Mil</i>	As at 31 March 2022	As at 31 December 2021
Trade receivables:		
- Third party	2,373	2,096
- Joint ventures and associates	274	296
- Related companies	66	111
Other receivables	163	234
Total	2,876	2,737

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

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B7. TRADE AND OTHER RECEIVABLES (continued)

(b) Ageing analysis of trade receivables

<i>In RM Mil</i>	As at 31 March 2022	As at 31 December 2021
Current	2,666	2,464
Past due 1 to 30 days	43	38
Past due 31 to 60 days	4	-
Past due 61 to 90 days	-	1
Total	2,713	2,503

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 31 March 2022	As at 31 December 2021	As at 31 March 2022	As at 31 December 2021
		Mil	Mil	RM Mil	RM Mil
Non-current					
Term loans - secured	USD	395	394	1,660	1,646
Term loan - unsecured	USD	89	88	373	368
Term loan - unsecured	EUR	30	30	141	142
				2,174	2,156
Current					
Terms loans - secured	USD	33	33	140	139
Revolving credit - unsecured	EUR	25	20	119	93
Revolving credit - unsecured	RM	100	-	100	-
				359	232

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 as a Level 3 fair value 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 RM unsecured revolving credit bears interest margin of 0.70% above KLIBOR for first RM30 million and 0.90% above KLIBOR for the remaining outstanding amount of the facility.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B8. BORROWINGS (continued)

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 the remaining amount is repayable on various dates between 2022 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 2021, other than as disclosed in note A16.

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 2021.

B12. BASIC EARNINGS PER SHARE

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

	Individual quarter ended 31 March	
	2022	2021
<i>In RM Mil</i>		
Profit for the period attributable to shareholders of the Company	2,076	1,461
<i>In millions of shares</i>		
Number of ordinary shares issued	8,000	8,000
<i>In sen</i>		
Basic earnings per share	26	18

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.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B13. EXCHANGE RATES

	31 March 2022	Individual quarter ended	
		31 December 2021	31 March 2021
USD/MYR			
Average rate	4.1925	4.1848	4.0647
Closing rate	4.2030	4.1740	4.1530
EUR/MYR			
Average rate	4.7076	4.7858	4.9028
Closing rate	4.6965	4.7279	4.8686

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
 27 May 2022

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2022

APPENDIX 1 - IMPACT OF MFRS 116 AMENDMENTS

- a) No restatement to consolidated statement of profit or loss and other comprehensive income for individual quarter ended 31 March 2021 as the transactions are immaterial.
- b) Reconciliation of consolidated statement of financial position as at 31 December 2021.

	As previously reported	Effect of MFRS 116 amendments	As restated
<i>In RM Mil</i>			
Property, plant and equipment	22,195	(154)	22,041
Other assets	24,413	-	24,413
TOTAL ASSETS	46,608	(154)	46,454
EQUITY			
Share Capital	8,871	-	8,871
Reserves			
Retained Profits			
Balance as at 1 January 2021	21,128	(154)	20,974
Total comprehensive income for the year	7,345	-	7,345
Total transactions with owners of the Group	(3,201)	-	(3,201)
Balance as at 31 December 2021	25,272	(154)	25,118
Other reserves	862	-	862
Total equity attributable to shareholders of the Company	35,005	(154)	34,851
Non-controlling interests	535	-	535
TOTAL EQUITY	35,540	(154)	35,386
TOTAL LIABILITIES	11,068	-	11,068
TOTAL EQUITY AND LIABILITIES	46,608	(154)	46,454