



PETRONAS

PETRONAS CHEMICALS GROUP BERHAD
Quarterly Report

For Second Quarter Ended 30 June 2022



QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 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 30 June 2022 which should be read in conjunction with the accompanying explanatory notes on pages 6 to 20.

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

<i>In RM Mil</i>	Note	Individual quarter ended		Cumulative quarter ended	
		2022	2021	2022	2021
Revenue	A9.1	6,583	5,608	13,217	10,283
Cost of revenue		(4,471)	(3,349)	(8,628)	(6,325)
Gross profit		2,112	2,259	4,589	3,958
Selling and distribution expenses		(278)	(270)	(557)	(499)
Administration expenses		(262)	(231)	(445)	(416)
Other expenses		(11)	(11)	(3)	(19)
Other income		315	69	390	235
Operating profit	B4	1,876	1,816	3,974	3,259
Financing costs		(8)	(6)	(15)	(13)
Share of profit after tax of equity-accounted joint ventures and associates		70	167	193	301
Profit before taxation		1,938	1,977	4,152	3,547
Tax expense	B5	(66)	(121)	(208)	(225)
PROFIT FOR THE PERIOD		1,872	1,856	3,944	3,322
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences		718	27	827	357
Share of other comprehensive income of equity-accounted joint ventures and associates		71	2	81	24
Total other comprehensive income for the period		789	29	908	381
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,661	1,885	4,852	3,703
Profit/(loss) attributable to:					
Shareholders of the Company		1,869	1,860	3,945	3,321
Non-controlling interests		3	(4)	(1)	1
PROFIT FOR THE PERIOD		1,872	1,856	3,944	3,322
Shareholders of the Company		2,659	1,889	4,854	3,702
Non-controlling interests		2	(4)	(2)	1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,661	1,885	4,852	3,703
Basic earnings per share attributable to shareholders of the Company:					
Based on ordinary shares issued (sen)	B13	23	23	49	42

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 SECOND QUARTER ENDED 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	Note	As at 30 June 2022	As at 31 December 2021 Restated
ASSETS			
Property, plant and equipment		22,960	22,041
Investments in joint ventures and associates		1,658	1,480
Intangible assets		653	684
Deferred tax assets		854	823
TOTAL NON-CURRENT ASSETS		26,125	25,028
Trade and other inventories		2,551	2,214
Trade and other receivables	B7	2,640	2,737
Tax recoverable		75	85
Cash and cash equivalents		18,910	16,390
TOTAL CURRENT ASSETS		24,176	21,426
TOTAL ASSETS		50,301	46,454
EQUITY			
Share capital		8,871	8,871
Reserves		29,068	25,980
Total equity attributable to shareholders of the Company		37,939	34,851
Non-controlling interests		456	535
TOTAL EQUITY		38,395	35,386
LIABILITIES			
Borrowings	B8	2,411	2,156
Lease liabilities		1,565	1,389
Provisions		299	287
Other long term liabilities		1,272	1,309
Deferred tax liabilities		974	974
TOTAL NON-CURRENT LIABILITIES		6,521	6,115
Borrowings	B8	243	232
Lease liabilities		94	73
Trade and other payables	A14	4,659	4,378
Taxation		389	270
TOTAL CURRENT LIABILITIES		5,385	4,953
TOTAL LIABILITIES		11,906	11,068
TOTAL EQUITY AND LIABILITIES		50,301	46,454
Net assets per share attributable to shareholders of the Company (RM)		4.74	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 SECOND QUARTER ENDED 30 JUNE 2022

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 June 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	-	828	-	-
Share of other comprehensive income of equity-accounted joint ventures and associates	-	-	-	81
Total other comprehensive income/(loss) for the period	-	828	-	81
Profit/(Loss) for the period	-	-	-	-
Total comprehensive income/(loss) for the period	-	828	-	81
Dividends to shareholders of the Company (note A8)	-	-	-	-
Others	-	-	-	-
Total transactions with owners of the Group	-	-	-	-
Balance at 30 June 2022	8,871	852	(204)	1,123
Cumulative quarter ended 30 June 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	-	357	-	-
Share of other comprehensive income of equity-accounted joint ventures and associates	-	-	-	24
Total other comprehensive income for the period	-	357	-	24
Profit for the period	-	-	-	-
Total comprehensive income for the period	-	357	-	24
Additional shares issued to a non-controlling interest	-	-	-	-
Dividends to shareholders of the Company	-	-	-	-
Total transactions with owners of the Group	-	-	-	-
Balance at 30 June 2021	8,871	7	(204)	1,025

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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 SECOND QUARTER ENDED 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to shareholders of the Company			Total Equity
	Retained Profits	Total	Non- controlling Interests	
<i>In RM Mil</i>				
Cumulative quarter ended 30 June 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	-	828	(1)	827
Share of other comprehensive income of equity- accounted joint ventures and associates	-	81	-	81
Total other comprehensive income/(loss) for the period	-	909	(1)	908
Profit/(Loss) for the period	3,945	3,945	(1)	3,944
Total comprehensive income/(loss) for the period	3,945	4,854	(2)	4,852
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 30 June 2022	27,297	37,939	456	38,395
Cumulative quarter ended 30 June 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	-	357	-	357
Share of other comprehensive income of equity- accounted joint ventures and associates	-	24	-	24
Total other comprehensive income for the period	-	381	-	381
Profit for the period	3,321	3,321	1	3,322
Total comprehensive income for the period	3,321	3,702	1	3,703
Additional shares issued to a non-controlling interest	-	-	4	4
Dividends to shareholders of the Company	(560)	(560)	-	(560)
Total transactions with owners of the Group	(560)	(560)	4	(556)
Balance at 30 June 2021	23,735	33,434	568	34,002

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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 SECOND QUARTER ENDED 30 JUNE 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	Cumulative quarter ended	
	2022	30 June
	2021	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,152	3,547
Adjustments for:		
- Amortisation of deferred income	(45)	(70)
- Depreciation and amortisation	748	804
- Financing costs	15	13
- Interest income	(72)	(57)
- Share of profit after tax of equity-accounted joint ventures and associates	(193)	(301)
- Other non-cash items	(180)	(103)
Operating profit before changes in working capital	4,425	3,833
Change in trade and other inventories	(212)	(55)
Change in trade and other receivables	97	(877)
Change in trade and other payables	(2)	391
Cash generated from operations	4,308	3,292
Interest income received	72	57
Taxation paid	(112)	(89)
Net cash generated from operating activities	4,268	3,260
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in joint ventures and associates	(21)	(83)
Dividends received from joint ventures and associates	96	51
Purchase of property, plant and equipment	(781)	(616)
Net cash used in investing activities	(706)	(648)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to:		
- PETRONAS	(1,184)	(360)
- others (third parties)	(656)	(200)
Drawdown of:		
- term loan	224	21
- revolving credit	150	68
Proceeds from shares issued to a non-controlling interest	-	4
Payment of lease liabilities:		
- principal	(34)	(26)
- interest	(16)	(55)
Repayment of term loan:		
- principal	(92)	-
- interest	(21)	(14)
Repayment of revolving credit	(86)	(23)
Net cash used in financing activities	(1,715)	(585)
Net cash flows from operating, investing and financing activities	1,847	2,027
Effect of foreign currency translation differences	(24)	31
Net increase in cash and cash equivalents	1,823	2,058
Net foreign exchange differences on cash held	697	203
Cash and cash equivalents at beginning of the period	16,390	12,707
Cash and cash equivalents at end of the period	18,910	14,968

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 SECOND QUARTER ENDED 30 JUNE 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 30 June 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 SECOND QUARTER ENDED 30 JUNE 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

<i>In RM Mil</i>	Cumulative quarter ended					
	2022		2021		30 June	
	2022	2021	2022	2021	2022	2021
	Third Parties		Inter-segment		Gross Total	
Olefins and Derivatives	6,016	5,911	3	5	6,019	5,916
Fertilisers and Methanol	6,130	3,802	-	-	6,130	3,802
Others	1,071	570	18	25	1,089	595
Total	13,217	10,283	21	30	13,238	10,313

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 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>	Cumulative quarter ended	
	2022	30 June 2021
Olefins and Derivatives	1,687	1,824
Fertilisers and Methanol	1,964	1,440
Others ²	293	58
Total	3,944	3,322

A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment for the period under review. As at 30 June 2022, all property, plant and equipment other than freehold land and project-in-progress were stated at cost less accumulated depreciation and impairment losses. Freehold land and project-in-progress are stated at cost less accumulated impairment losses, if any.

A11. CONTINGENCIES

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

A12. CHANGES IN COMPOSITION OF THE GROUP

There were no other 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 June 2022	As at 31 December 2021
Property, plant and equipment:		
Approved and contracted for	428	353
Approved but not contracted for	997	1,691
Total	1,425	2,044

A14. TRADE AND OTHER PAYABLES

Details of Group trade and other payables

<i>In RM Mil</i>	As at 30 June 2022	As at 31 December 2021
Current Liabilities		
Trade and other payables	4,659	4,378

¹ Included within profit for the period for Olefins and Derivatives, Fertilisers and Methanol and Others segments are depreciation and amortisation expenses amounting to RM298 million (2021: RM373 million), RM419 million (2021: RM391 million) and RM31 million (2021: RM40 million) respectively.

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

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

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

A14. TRADE AND OTHER PAYABLES (continued)

Subsequent to period ended 30 June 2022, the Group via its joint operation entity has entered into an arrangement on trade payables amounting to RM998 million which resulted in adjustment of timing for payments of the balances. This arrangement will result in potential recognition of gain amounting to RM271 million in the profit or loss. In subsequent financial periods, the trade payable will be subjected to accretion of interest expense which is expected to approximate this potential gain.

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 30 June 2022
Goodwill	231	(6)	225

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.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 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 30 June 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>9</u>	<u>-</u>	<u>9</u>	<u>802</u>
Financial liabilities					
Forward foreign exchange contracts					
- within 1 year	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>(1)</u>	<u>(241)</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>

A17. SIGNIFICANT 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 RM6,997.6 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 RM3,875.1 million³) as at 31 December 2021 and pay earn-out payment not exceeding EUR45.0 million (equivalent to approximately RM204.7 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.

³ Translated based on exchange rate of EUR1.0000 : RM4.5498, being the middle rate quoted by Bloomberg on 18 August 2022.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 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>	2022		2021		Individual quarter ended 30 June	
	Group	Olefins and Derivatives	Fertilisers and Methanol	2022	2021	
Revenue	6,583	5,608	3,276	3,063	2,826	2,237
Profit after tax	1,872	1,856	954	958	792	912
EBITDA ³	1,968	2,154	965	1,071	1,001	1,094

PCG Group recorded lower plant utilisation rate of 72% as compared to 97% in the corresponding quarter mainly due to higher plant statutory turnaround and maintenance activities resulting in lower production and sales volumes.

Revenue was higher by RM975 million or 17% at RM6.6 billion largely due to higher product prices in tandem with the improved crude oil price amidst tight supply, partially offset by lower sales volumes.

EBITDA decreased by RM186 million or 9% at RM2.0 billion mainly due to lower volumes. However, profit after tax slightly improved by RM16 million or 1% at RM1.9 billion following higher foreign exchange gain on revaluation of shareholder loan to a joint operation company.

Olefins and Derivatives

The segment's operational performance recorded lower plant utilisation rate of 89% as compared to 98% in the corresponding quarter mainly due to higher maintenance activities resulting in lower production and sales volumes.

Revenue was higher by RM213 million or 7% at RM3.3 billion primarily due to higher product prices, partially offset by lower sales volumes.

EBITDA for the segment decreased by RM106 million or 10% at RM965 million following lower volumes. However, profit after tax was slightly lower by RM4 million at RM954 million in line with lower EBITDA partially offset by higher foreign exchange gain on revaluation of shareholder loan to a joint operation company.

Fertilisers and Methanol

The segment recorded lower plant utilisation rate of 62% as compared to 96% in the corresponding quarter due to higher plant statutory turnaround and maintenance activities resulting in lower production and sales volumes.

The segment's revenue increased by RM589 million or 26% at RM2.8 billion primarily attributed to the higher product prices, partially offset by lower sales volumes.

EBITDA for the segment decreased by RM93 million or 9% at RM1.0 billion mainly due to lower volumes. Profit after tax also decreased by RM120 million or 13% at RM792 million in line with lower EBITDA.

³ 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 SECOND QUARTER ENDED 30 JUNE 2022

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>	Cumulative quarter ended					
			30 June			
	2022	2021	2022	2021	2022	2021
	Group		Olefins and Derivatives		Fertilisers and Methanol	
Revenue	13,217	10,283	6,019	5,916	6,130	3,802
Profit after tax	3,944	3,322	1,687	1,824	1,964	1,440
EBITDA ⁴	4,390	3,849	1,797	2,076	2,396	1,794

PCG Group recorded lower plant utilisation rate of 79% as compared to 94% in the corresponding period mainly due to higher plant statutory turnaround and maintenance activities resulting in lower production and sales volumes.

Revenue was higher by RM2.9 billion or 29% at RM13.2 billion largely due to higher product prices in tandem with improved crude oil price amidst tight supply.

EBITDA was higher by RM541 million or 14% at RM4.4 billion mainly due to improved margin. Profit after tax increased by RM622 million or 19% at RM3.9 billion in line with higher EBITDA.

Olefins and Derivatives

The segment's operational performance recorded lower plant utilisation rate of 82% as compared to 100% in the corresponding period mainly due to higher plant maintenance and statutory turnaround activities resulting in lower production and sales volumes.

Revenue was slightly higher by RM103 million or 2% at RM6.0 billion primarily due to higher product prices partially offset by lower sales volumes.

EBITDA was lower by RM279 million or 13% at RM1.8 billion due to lower volumes. Profit after tax also decreased from the corresponding year by RM137 million or 8% at RM1.7 billion in line with lower EBITDA.

Fertilisers and Methanol

The segment's operational performance recorded lower plant utilisation rate of 77% as compared to 90% in the corresponding period mainly due to higher plant statutory turnaround and maintenance activities resulting in lower production and sales volumes.

The segment recorded higher revenue by RM2.3 billion or 61% at RM6.1 billion mainly due to higher product prices.

EBITDA was higher by RM602 million or 34% at RM2.4 billion following improved margin. Profit after tax increased from the corresponding year by RM524 million or 36% at RM2.0 billion in line with higher EBITDA.

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 SECOND QUARTER ENDED 30 JUNE 2022

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 June 2022	31 March 2022
Revenue	6,583	6,634
Profit after tax	1,872	2,072
EBITDA ⁵	1,968	2,422

PCG Group recorded lower plant utilisation rate of 72% as compared to 87% in the preceding quarter mainly due to higher plant statutory turnaround and maintenance activities resulting in lower production and sales volumes.

Revenue was slightly lower by RM51 million or 1% at RM6.6 billion mainly due to lower sales volumes, cushioned by higher product prices.

EBITDA for the current quarter was lower by RM454 million or 19% at RM2.0 billion contributed by lower volumes. Profit after tax was lower by RM200 million or 10% at RM1.9 billion in line with lower EBITDA.

(d) Highlight on consolidated statement of financial position

<i>In RM Mil</i>	As at	As at
	30 June 2022	31 December 2021 Restated
Total assets	50,301	46,454
Total equity	38,395	35,386
ROE (%)	20.8	20.8

The Group's total assets were higher by RM3.8 billion or 8% at RM50.3 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 increase in relation to the capital investment in the petrochemicals projects within Pengerang Integrated Complex (PIC) and recognition of right of use assets for charter hire.

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 SECOND QUARTER ENDED 30 JUNE 2022

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	
	2022	30 June 2021
Net cash generated from operating activities	4,268	3,260
Net cash used in investing activities	(706)	(648)
Net cash used in financing activities	(1,715)	(585)

Net cash generated from operating activities increased by RM1.0 billion or 31% at RM4.3 billion, mainly due to higher profit generated during the period.

Net cash used in investing activities was higher by RM58 million or 9% at RM706 million primarily due to higher purchase of property, plant and equipment.

Net cash used in financing activities for the period was higher by RM1.1 billion at RM1.7 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 balanced supply with demand recovery. Fertiliser and methanol product prices are expected to be moderate supported by high crude oil prices.

B3. PROFIT FORECAST OR PROFIT GUARANTEE

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

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B4. OPERATING PROFIT

<i>In RM Mil</i>	Individual quarter ended		Cumulative quarter ended	
	2022	30 June 2021	2022	30 June 2021
Included in operating profit are the following charges:				
Depreciation and amortisation	359	402	748	804
Inventories written down to net realisable value	54	5	33	-
Net loss on foreign exchange	-	3	-	-
and credits:				
Interest income	50	27	72	57
Fair value gain	54	-	54	2
Inventories written back to net realisable value	-	-	-	29
Amortisation of deferred income	23	35	45	70
Net gain on foreign exchange	163	-	193	96

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		Cumulative quarter ended	
	2022	30 June 2021	2022	30 June 2021
Current tax expenses				
Current period tax	123	92	241	165
Deferred tax expenses				
Origination and reversal of temporary differences	(57)	24	(31)	55
Over provision in respect of prior periods	-	5	(2)	5
	(57)	29	(33)	60
	66	121	208	225

The Group's effective tax rates for the individual and cumulative quarter ended 30 June 2022 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 recognition of deferred tax asset on business losses for a subsidiary following projection of its utilisation within the claimable period.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B6. STATUS OF CORPORATE PROPOSALS

There was no other corporate proposal announced but not completed as at 22 August 2022 other than disclosed in note A17 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 30 June 2022	As at 31 December 2021
Trade receivables:		
- Third party	2,044	2,096
- Joint ventures and associates	289	296
- Related companies	115	111
Other receivables	192	234
Total	2,640	2,737

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 June 2022	As at 31 December 2021
Current	2,406	2,464
Past due 1 to 30 days	32	38
Past due 31 to 60 days	6	-
Past due 61 to 90 days	2	1
Past due more than 90 days	2	-
Total	2,448	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.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B8. BORROWINGS

	Denominated currency	In denominated currency		In presentation currency	
		As at 30 June 2022 Mil	As at 31 December 2021 Mil	As at 30 June 2022 RM Mil	As at 31 December 2021 RM Mil
Non-current					
Term loans - secured	USD	387	394	1,705	1,646
Term loan - unsecured	USD	129	88	568	368
Term loan - unsecured	EUR	30	30	138	142
				2,411	2,156
Current					
Terms loans - secured	USD	20	33	88	139
Revolving credit - unsecured	EUR	12	20	55	93
Revolving credit - unsecured	RM	100	-	100	-
				243	232

The EUR unsecured term loan bears interest of 0.71% per annum and is repayable in 2025. The EUR unsecured revolving credit bears interest of 0.69% 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 2.38% 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.

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.

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B11. MATERIAL LITIGATION

There was no pending material litigation since the last audited consolidated financial statements for the year ended 31 December 2021.

B12. DIVIDENDS

The Directors of the Company have declared an interim single tier dividend of 25 sen per ordinary share, amounting to RM2,000 million in respect of the financial year ending 31 December 2022 (2021: first 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).

The dividend is payable on 21 September 2022 to depositors registered in the Records of Depositors at the close of business on 8 September 2022.

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 September 2022 in respect of ordinary transfers.
- b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

B13. BASIC EARNINGS PER SHARE

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

	Individual quarter ended		Cumulative quarter ended	
	2022	30 June 2021	2022	30 June 2021
<i>In RM Mil</i>				
Profit for the period attributable to shareholders of the Company	1,869	1,860	3,945	3,321
<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	23	23	49	42

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 SECOND QUARTER ENDED 30 JUNE 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B14. EXCHANGE RATES

	Individual quarter ended			Cumulative quarter ended		
	30 June 2022	31 March 2022	30 June 2021	30 June 2022	31 December 2021	30 June 2021
USD/MYR						
Average rate	4.3502	4.1925	4.1288	4.2713	4.1439	4.0968
Closing rate	4.4035	4.2030	4.1545	4.4035	4.1740	4.1545
EUR/MYR						
Average rate	4.6371	4.7076	4.9737	4.6724	4.9025	4.9383
Closing rate	4.5981	4.6965	4.9438	4.5981	4.7279	4.9438

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 August 2022

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 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 30 June 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